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IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
MARSHALL DIVISION

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UNITED SERVICES AUTOMOBILE) (
ASSOCIATION

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) (CIVIL ACTION NO.

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VS.) (2:18-CV-366-JRG

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) (MARSHALL, TEXAS
JANUARY 9, 2020

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WELLS FARGO BANK, N.A.) (12:34 P.M.

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TRANSCRIPT OF JURY TRIAL

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AFTERNOON SESSION

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BEFORE THE HONORABLE CHIEF JUDGE RODNEY GILSTRAP,

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UNITED STATES DISTRICT JUDGE

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19 Official Court Reporter
20 United States District Court
21 Eastern District of Texas
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25

P R O C E E D I N G S

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(Jury out.)

COURT SECURITY OFFICER: All rise.

THE COURT: Be seated, please.

Dr. Villasenor, you may return to the witness stand.

I remind you, you remain under oath.

MR. HILL: Your Honor, may I broach one quick housekeeping matter before we get started with the jury again?

THE COURT: You may, let's make it quick, though.

MR. HILL: Very quick. I just wanted to alert the Court we've got an offer of proof we've been preparing that we would need to file for purposes of our record. We were going to file it in writing.

I'm always hesitant to do that though without telling the Court first, so you don't just see something show up on your docket without thinking we raised it with you first.

It covers things related to the motion in limine process on exclusion, as well as a number of the things

12:38:37 1 we've talked about in chambers throughout the case. We
12:38:39 2 just collected all those to do it at once.

12:38:42 3 I feel like we need to do that before our evidence
12:38:44 4 closes, or at minimum, alert the Court that we would be
12:38:49 5 doing it in writing and get your permission to do it that
12:38:53 6 way.

12:38:53 7 I'm happy to follow the Court's pleasure in that
12:38:53 8 regard, but I didn't want to let our case pass where we
12:38:57 9 stood past our case without at least alerting the Court.

12:39:00 10 THE COURT: Is this offer of proof -- has it been
12:39:02 11 reduced to writing at this point?

12:39:04 12 MR. HILL: Yes, Your Honor, it has.

12:39:06 13 THE COURT: All right. Is there some reason
12:39:08 14 you're waiting to file it at this point?

12:39:10 15 MR. HILL: No, sir, just this -- we've just gotten
12:39:12 16 it ready. Like I say, we were doing one cumulative, as
12:39:17 17 opposed to piecemeal.

12:39:18 18 THE COURT: Why don't you file it on the docket.
12:39:20 19 That will be done before you rest your case, and it will
12:39:25 20 automatically be served on Plaintiff.

12:39:27 21 MR. HILL: Yes, Your Honor, will do. Thank you.

12:39:28 22 THE COURT: All right. Anything else before we
12:39:29 23 bring the jury in and continue with Dr. Villasenor?

12:39:29 24 MR. SHEASBY: Nothing for Plaintiffs, Your Honor.

12:39:31 25 MR. MELSHEIMER: No, Your Honor.

12:39:32 1 THE COURT: All right. You may return to the
12:39:34 2 podium, Mr. Melsheimer.
12:39:35 3 MR. MELSHEIMER: Thank you.
12:39:57 4 THE COURT: Let's bring in the jury, Mr. Johnston.
12:40:00 5 COURT SECURITY OFFICER: All rise.
12:40:02 6 (Jury in.)
12:40:05 7 THE COURT: Please be seated.
12:40:13 8 All right. Ladies and gentlemen, we'll continue
12:40:14 9 with the direct examination of Dr. John Villasenor by the
12:40:19 10 Defendant.
12:40:19 11 Mr. Melsheimer, you may proceed.
12:40:20 12 MR. MELSHEIMER: May it please the Court.
12:40:20 13 JOHN VILLASENOR, PH.D., DEFENDANT'S WITNESS,
12:40:20 14 PREVIOUSLY SWORN
12:40:20 15 DIRECT EXAMINATION CONTINUED
12:40:22 16 BY MR. MELSHEIMER:
12:40:22 17 Q. Good afternoon, Dr. Villasenor.
12:40:24 18 A. Good afternoon.
12:40:25 19 Q. All right. I want to return to where we were talking
12:40:27 20 about when we broke. Do you have Paragraph -- do you have
12:40:30 21 your report in your binder there?
12:40:31 22 A. Yes, sir, I do.
12:40:32 23 Q. Can you turn to Page 161?
12:40:34 24 A. I'm sorry, do you mean Paragraph 161?
12:40:41 25 Q. I meant Paragraph 161. I did, sir, thank you.

12:40:45 1 A. Yes, sir, I'm there.

12:40:53 2 MR. MELSHEIMER: May I get the ELMO?

12:40:57 3 Q. (By Mr. Melsheimer) Now, is this the version of the
12:40:59 4 slide we were looking at in your direct examination, sir?

12:41:02 5 A. Yes, sir, it appears to be.

12:41:04 6 Q. And does Paragraph 161, does that lay out your
12:41:08 7 understanding and your analysis of this divided
12:41:11 8 infringement issue?

12:41:13 9 A. Yes, sir, it does.

12:41:14 10 Q. And is that the testimony that you intend and want to
12:41:17 11 provide to the ladies and gentleman of the jury?

12:41:20 12 A. If I'm asked to, I'm happy to provide that.

12:41:23 13 Q. And you understand you write these things down in your
12:41:27 14 report, and you're both limited by that but you're also --
12:41:29 15 you can be refreshed by what you said before, right?

12:41:32 16 A. My understanding is that's right.

12:41:34 17 Q. Okay. So with respect to this first notion of
12:41:38 18 infringement standard for system claims involving multiple
12:41:42 19 entities, that's where we are, right?

12:41:43 20 A. Yes, sir.

12:41:44 21 Q. Okay. With respect to making the accused products, you
12:41:48 22 said in Paragraph 161 that Dr. Conte did not analyze any of
12:41:54 23 this in connection with his report or testimony; is that
12:41:58 24 right?

12:41:58 25 A. That's paraphrasing. I said he failed to prove any

12:42:02 1 claim of direct infringement, that's right.

12:42:03 2 Q. Right. So with respect to making the accused system,
12:42:08 3 is it your conclusion that Dr. Conte does not satisfy this
12:42:13 4 analysis because Wells Fargo does not combine all of the
12:42:18 5 claim elements because the users, not Wells Fargo, provides
12:42:23 6 the smartphone used in the accused device?

12:42:24 7 A. With respect to the making part of this test, that's
12:42:28 8 correct.

12:42:28 9 Q. And is that the words you used in your report,
12:42:31 10 "provide"?

12:42:33 11 A. I --

12:42:33 12 Q. Provide the smartphone?

12:42:35 13 A. Among other things, that right, yes.

12:42:37 14 Q. Okay. Now, with respect to -- so you didn't see any
12:42:44 15 analysis under this making step; is that right?

12:42:46 16 A. That's correct.

12:42:46 17 Q. So we can cross that off?

12:42:49 18 A. Yes, sir.

12:42:49 19 Q. All right. What about selling or offering to sell?

12:42:53 20 A. I opine -- I write that Dr. Conte does not allege that
12:43:01 21 Wells Fargo sells or offers to sells -- sell on a user's
12:43:05 22 smartphone's device processor.

12:43:06 23 Q. Which are instead sold or imported by third parties?

12:43:10 24 A. Correct, yes.

12:43:11 25 Q. Okay. So that would cover both sells and imports?

12:43:19 1 A. Yes, sir.

12:43:19 2 Q. And by crossing these out, am I reflecting your
12:43:23 3 opinion, sir, that these are not satisfied by Dr. Conte's
12:43:28 4 analysis?

12:43:28 5 A. Yes, sir.

12:43:29 6 Q. And, finally, let's go to the final one with is --
12:43:33 7 which is users. What's your understanding, looking at
12:43:36 8 Paragraph 162, the sentence beginning with "with respect to
12:43:43 9 use," what's your understanding of what Dr. Conte failed to
12:43:46 10 do in his report?

12:43:46 11 A. My understanding is that Dr. Conte would have been
12:43:50 12 required to show that Wells Fargo, among other things,
12:43:54 13 obtains a benefit from each and every element of the claim,
12:43:57 14 and he did not attempt to do that.

12:44:00 15 Q. So what you said was with respect to use, Dr. Conte
12:44:04 16 does not allege that end users control the entire system or
12:44:09 17 benefit from each and every claim element; is that what you
12:44:13 18 wrote in your report?

12:44:14 19 A. Among other things, yes.

12:44:17 20 Q. And did Dr. Conte address that in his report, based on
12:44:22 21 your review?

12:44:22 22 A. I don't believe he did.

12:44:24 23 Q. Did he address it in front of the ladies and gentleman
12:44:27 24 of the jury during this trial?

12:44:29 25 A. No, in fact, I think I recall him testifying that he

12:44:32 1 did not do an element-by-element benefit analysis.

12:44:35 2 Q. So can we cross that out, as well?

12:44:38 3 A. Yes, sir.

12:44:38 4 Q. Now, just to be clear, you did -- also did not do that
12:44:42 5 analysis?

12:44:43 6 A. Yes, sir, that's correct.

12:44:44 7 Q. Okay. Do you understand that -- who -- who -- what's
12:44:47 8 your understanding in this trial of who has the burden of
12:44:50 9 proving infringement?

12:44:52 10 A. My understanding is that the Plaintiff has the burden
12:44:59 11 to prove infringement.

12:44:59 12 Q. And is -- and are -- are your opinions and analysis
12:45:03 13 with respect to this divided infringement issue, sir, are
12:45:08 14 they in Paragraphs 161 and 162 in your report?

12:45:11 15 A. Yes, they are addressed in those paragraphs.

12:45:13 16 Q. So if there's not making, selling, importing, or using
12:45:30 17 under the law, what does that mean with respect to whether
12:45:33 18 there is or is not infringement in the situation where you
12:45:37 19 have infringement involving multiple entities or parties?

12:45:41 20 A. If I can -- it would be there -- means there's no
12:45:46 21 direct infringement as required under what I've been
12:45:48 22 instructed the standard is.

12:45:51 23 Q. Now, does any of your analysis mean that either you or
12:45:54 24 Dr. Conte is accusing the Wells Fargo customers of
12:45:58 25 infringing?

12:45:59 1 MR. SHEASBY: Objection, Your Honor, outside the
12:46:00 2 scope of his report.

12:46:02 3 MR. MELSHEIMER: Precise -- that's actually the
12:46:04 4 point, Your Honor, that he doesn't say that and that
12:46:07 5 Dr. Conte doesn't say that. It was suggested -- we can
12:46:11 6 approach if you'd like, Your Honor.

12:46:13 7 MR. SHEASBY: Your Honor, this is just
12:46:15 8 argumentative. Dr. Villasenor has no discussion one way or
12:46:19 9 another about the customer's responsibility. That is not
12:46:21 10 in his report.

12:46:22 11 MR. MELSHEIMER: If I might -- if I might, Your
12:46:24 12 Honor. It was --

12:46:24 13 THE COURT: Approach the bench, counsel.
12:46:25 14 (Bench conference.)

12:46:37 15 MR. MELSHEIMER: Very straightforwardly, Your
12:46:39 16 Honor, in the opening statement, Mr. Sheasby suggested that
12:46:43 17 our theory was that our customers were infringing. And I'm
12:46:46 18 simply asking him does any of his analysis or any of
12:46:50 19 Dr. Conte's analysis accuse the customers of infringing.
12:46:54 20 Of course it's not in his report. He didn't make that
12:46:57 21 assertion. Neither did Dr. Conte. It's fair to respond to
12:47:00 22 that. It's not argumentative. It's responsive to what was
12:47:03 23 laid out in the opening statement.

12:47:06 24 MR. SHEASBY: We know, because there's no report
12:47:08 25 up here, that it's clearly not in his report.

12:47:11 1 Dr. Villasenor provided no analysis whatsoever -- no
12:47:13 2 analysis whatsoever as to whether the customer would be
12:47:17 3 directly infringing the claims. By providing no analysis
12:47:20 4 in his report, he's not entitled to provide any analysis
12:47:22 5 now. This is just --

12:47:23 6 THE COURT: I agree he's not entitled to put on
12:47:25 7 any analysis now. He is entitled to say he didn't do any
12:47:27 8 analysis.

12:47:28 9 MR. MELSHEIMER: Or that Dr. Conte didn't do it
12:47:30 10 either.

12:47:30 11 THE COURT: To his knowledge.

12:47:32 12 MR. MELSHEIMER: Right. Okay. That's all I was
12:47:34 13 trying to do.

12:47:35 14 THE COURT: Overruled.

12:47:35 15 MR. MELSHEIMER: Okay. Thank you.

12:47:36 16 (Bench conference concluded.)

12:47:38 17 THE COURT: Let's proceed.

12:47:40 18 Q. (By Mr. Melsheimer) Did -- did you, sir,
12:47:43 19 Dr. Villasenor, or to your knowledge, Dr. Conte, do any
12:47:48 20 analysis in this case, either in front of the jury or in
12:47:50 21 your reports, accusing any Wells Fargo customers of
12:47:56 22 infringing the patents?

12:47:56 23 A. No, sir, I did not do that analysis.

12:47:58 24 Q. And did you hear Dr. Conte do that?

12:48:00 25 A. I did not.

12:48:01 1 Q. Is the infringement analysis you did on this -- on --
12:48:08 2 strike that.

12:48:08 3 Is the infringement analysis that you told the
12:48:10 4 jury about before lunch on this confirming step with
12:48:15 5 respect to the '681 patent, is that separate and
12:48:20 6 independent from your analysis of this divided infringement
12:48:24 7 discussion that we just talked about?

12:48:25 8 A. Yes, that's right. That's a completely different point
12:48:29 9 with respect to non-infringement. Although just to
12:48:32 10 clarify, the -- the screen that's on now applies to both
12:48:35 11 patents, in other words, the '605 and '681. Whereas the
12:48:38 12 confirming step discussion only applies to the '681 patent.

12:48:41 13 Q. The divided infringement analysis of making, selling,
12:48:44 14 importing and using, the legal standards for that, as you
12:48:48 15 understand it, apply to both patents, but the confirming
12:48:51 16 step analysis you did where you concluded that that step
12:48:54 17 was missing from the Wells Fargo system, that only applies
12:49:00 18 to the '681 patent; is that correct?

12:49:01 19 A. Yep -- yes, sir, that's correct.

12:49:04 20 Q. Were you asked to look at any other issues in this
12:49:07 21 case?

12:49:08 22 A. Yes, sir, I was.

12:49:09 23 Q. Were you asked to address non-infringing alternatives?

12:49:12 24 A. Yes, sir, I was.

12:49:13 25 Q. What is your understanding of what a non-infringing

12:49:17 1 alternative is?

12:49:17 2 A. My understanding, as it's been explained to me, is that
12:49:21 3 if a system is deemed to infringe, a non-infringing
12:49:25 4 alternative is something where you could change something
12:49:28 5 about the system and in doing so make it so it no longer
12:49:33 6 infringes.

12:49:33 7 Q. Now, does that change any of your analysis that you've
12:49:36 8 given the jury up to this point?

12:49:37 9 A. Not at all.

12:49:39 10 Q. Okay. Did you identify some non-infringing
12:49:41 11 alternatives to the '605 and '681 patents?

12:49:43 12 A. Yes, there's one.

12:49:45 13 Q. All right. Let's take a look at that, sir.

12:49:50 14 So can you describe for the ladies and gentleman
12:49:53 15 of the jury what is shown on Slide No. 25?

12:49:56 16 A. So this slide shows one of the claims -- this, in fact,
12:50:00 17 is Claim 30 of the '681 patent, and in red. And then
12:50:05 18 crossed out also, is a claim element relating to providing
12:50:08 19 instructions to a customer. And even though the specific
12:50:12 20 wording of this claim element regarding instructions has
12:50:15 21 some variation across the claims, every one of the asserted
12:50:19 22 claims has such a requirement.

12:50:21 23 And so if -- if the instructions were removed from
12:50:25 24 the app, then it would clearly be non-infringing as -- and
12:50:31 25 also add that it is feasible to do this. In fact, my

12:50:35 1 understanding is that USAA had a corporate representative
12:50:36 2 who testified that it was feasible to remove the
12:50:40 3 instructions to the user.

12:50:41 4 Q. And are you just basing that -- basing that on -- on
12:50:45 5 his testimony?

12:50:46 6 A. Well, his testimony corroborates what I understand,
12:50:49 7 independent also, that I understand it would be feasible.

12:50:52 8 Q. Would it be -- would it -- technically feasible?

12:50:56 9 A. Yes, sir, technically feasible.

12:50:58 10 Q. And -- okay. And would the cost of this alt -- we're
12:51:02 11 about to hear from Mr. Gerardi. In your opinion, would the
12:51:05 12 cost of this alternative, if it was adopted, be less than
12:51:09 13 what Mr. Gerardi says the damages should be in this case if
12:51:13 14 there is infringement found?

12:51:15 15 MR. SHEASBY: Objection, Your Honor. Not in his
12:51:17 16 report.

12:51:20 17 MR. MELSHEIMER: I believe it is, Your Honor.

12:51:22 18 MR. SHEASBY: He can -- he can provide the number
12:51:24 19 of what he proposes to be --

12:51:26 20 MR. MELSHEIMER: Paragraph 201, which I'm happy to
12:51:33 21 provide the Court.

12:51:34 22 THE COURT: You'll need to do that.

12:51:36 23 MR. MELSHEIMER: I'm sorry, Your Honor, did you
12:51:38 24 say please do that?

12:51:39 25 THE COURT: You will need to do that.

12:51:50 1 Approach the bench, counsel.

12:51:53 2 (Bench conference.)

12:52:01 3 MR. MELSHEIMER: There is a slight nuance to this,
12:52:04 4 Your Honor, which I'm happy to explain.

12:52:07 5 THE COURT: Well, your question involved him
12:52:09 6 speculating about what Dr. Gerardi was going to say.

12:52:13 7 MR. MELSHEIMER: Well, I think the objection is to
12:52:14 8 the -- Paragraph 201, which is what he's going to say it's
12:52:18 9 less -- this non-infringing alternative is less than
12:52:23 10 Mr. Gerardi's calculation of damages, which he knows what
12:52:26 11 it is. There is some nuance, and I'm - I'm happy to
12:52:28 12 explain that.

12:52:28 13 THE COURT: Well, let's start with the objecting
12:52:30 14 party's objection.

12:52:32 15 MR. SHEASBY: He has nothing in his report about
12:52:34 16 Mr. Gerardi. He can say that it would -- that he believes
12:52:36 17 it would cost less than \$8.5 million to do this
12:52:40 18 design-around. He's welcome to give that testimony.
12:52:42 19 Anything else is outside the scope of his report,
12:52:44 20 especially since he hasn't even testified yet.

12:52:46 21 THE COURT: All right. Now, what's your response?

12:52:47 22 MR. MELSHEIMER: Here's the problem, Your Honor.
12:52:49 23 As you know, the Plaintiff dropped a number of claims at
12:52:56 24 the last minute which changed the damages analysis of
12:52:57 25 Mr. Gerardi. And he had to do that based on these new

12:53:00 1 claims, which was basically done -- you know, I want to say
12:53:03 2 literally over the weekend, but over the last few days.
12:53:07 3 His original number was this number.

12:53:09 4 So he -- he will say it's less than -- he will say
12:53:15 5 it's less than -- he doesn't know the new number. We've
12:53:18 6 told him the new number, but he -- all he said in there was
12:53:21 7 8.5 million.

12:53:22 8 THE COURT: He being whom?

12:53:25 9 MR. MELSHEIMER: Dr. Villasenor. And the point
12:53:26 10 is, he's not going to be able to say -- there's a new
12:53:31 11 number, which he's aware of. That new number is not
12:53:35 12 written on this page because it couldn't have been written
12:53:38 13 on this page because he calculated this number --
12:53:41 14 Mr. Gerardi did.

12:53:41 15 THE COURT: Is this number less than this number
12:53:43 16 that's on the page?

12:53:44 17 MR. MELSHEIMER: Yes, it is.

12:53:45 18 THE COURT: Then he can testify the number is less
12:53:47 19 than \$8.5 million.

12:53:49 20 MR. SHEASBY: And without reference to
12:53:50 21 Mr. Gerardi.

12:53:51 22 MR. MELSHEIMER: But there's no -- it's got to
12:53:52 23 be -- the sole context for it, Judge, is that it's less
12:53:56 24 than what he said. I don't understand what the problem
12:53:58 25 with Gerardi is. He's about to testify. He's an expert.

12:54:01 1 I don't understand why that's an issue.

12:54:03 2 MR. SHEASBY: It's an issue because he should be
12:54:05 3 bound by what's in his report. He didn't say Mr. Gerardi's
12:54:08 4 number last time, and he shouldn't say it this time. He
12:54:11 5 should say what's in his report.

12:54:11 6 MR. MELSHEIMER: Your Honor, of course, that is
12:54:14 7 not -- that is a hypertechnical distinction, given that
12:54:19 8 Mr. Gerardi has recalculated damages based on them taking
12:54:23 9 actions at the last moment. I -- I don't --

12:54:27 10 THE COURT: What is it you want this witness to
12:54:29 11 say, Mr. Melsheimer?

12:54:30 12 MR. MELSHEIMER: I want him to say it's
12:54:32 13 substantially less than the number that Mr. Gerardi will
12:54:34 14 offer to the jury of alleged damages in the case.

12:54:39 15 THE COURT: In light of his report,
12:54:41 16 notwithstanding the last minute changes, I'm not going to
12:54:43 17 let him say that.

12:54:44 18 MR. MELSHEIMER: Okay. But you will let him say
12:54:46 19 it's less than \$8.5 million.

12:54:49 20 THE COURT: He can say what's right there.

12:54:49 21 MR. MELSHEIMER: Okay. Thank you.

12:54:53 22 (Bench conference concluded.)

12:54:53 23 THE COURT: All right. The objection is
12:54:53 24 sustained. Let's proceed.

12:54:54 25 Q. (By Mr. Melsheimer) If you'll look at Paragraph 201 of

12:54:58 1 your report, sir. Just one -- one final question.

12:55:00 2 A. Yes, sir.

12:55:00 3 Q. Based on your experience, the alternatives that you
12:55:03 4 just described to the jury, would they cost substantially
12:55:08 5 less than \$8.5 million?

12:55:10 6 A. To implement.

12:55:13 7 MR. SHEASBY: Your Honor, objection,
12:55:16 8 substantially.

12:55:16 9 THE COURT: Sustained.

12:55:17 10 MR. MELSHEIMER: Your Honor -- that is right out
12:55:19 11 of his report, Your Honor. I can --

12:55:21 12 THE COURT: I just read the report. It says less
12:55:23 13 than. It doesn't say substantially less than, unless I
12:55:27 14 misread it.

12:55:28 15 MR. MELSHEIMER: With all due respect, Your Honor,
12:55:29 16 it -- it does say substantially. I'm happy to show it to
12:55:32 17 you.

12:55:33 18 THE COURT: Do you disagree with that,
12:55:36 19 Mr. Sheasby?

12:55:36 20 MR. SHEASBY: I withdraw the objection.

12:55:45 21 THE COURT: All right. Let's leave it where it is
12:55:47 22 then.

12:55:48 23 MR. MELSHEIMER: Can I restate the question, Your
12:55:49 24 Honor?

12:55:50 25 THE COURT: Restate the question, as closely as

12:55:54 1 you can to what you just asked him.

12:55:57 2 Q. (By Mr. Melsheimer) Based on your experience, sir, the
12:55:59 3 alternatives that you just described to the jury, would
12:56:08 4 those -- to implement, would those cost substantially less
12:56:08 5 than \$8.5 million?

12:56:09 6 A. Yes, sir.

12:56:13 7 MR. MELSHEIMER: May I have a moment, Your Honor?

12:56:14 8 THE COURT: Yes, you may have a moment.

12:56:29 9 MR. MELSHEIMER: May it please the Court,
12:56:30 10 Your Honor. We -- we pass the witness for
12:56:32 11 cross-examination.

12:56:32 12 THE COURT: All right. Cross-examination by
12:56:34 13 Plaintiff.

12:56:34 14 CROSS-EXAMINATION

12:57:00 15 BY MR. SHEASBY:

12:57:00 16 Q. Good afternoon, Dr. Villasenor.

12:57:02 17 A. Good afternoon.

12:57:02 18 Q. It's nice to see you again. We've met previously?

12:57:05 19 A. Yes, sir, we have.

12:57:08 20 MR. SHEASBY: Now, if we could have Slide 15 from
12:57:11 21 your presentation to the jury, please.

12:57:29 22 Q. (By Mr. Sheasby) One of the theories that you
12:57:31 23 presented to the jury is that Wells Fargo should not be
12:57:33 24 liable for infringement because all the claims in the
12:57:36 25 patents are system claims, which require the use of a

12:57:39 1 user's cell phone application, fair?

12:57:43 2 A. I've been instructed they're all system claims, yes.

12:57:46 3 Q. Sir, you told the jury they're all system claims,

12:57:51 4 correct?

12:57:51 5 A. Yes.

12:57:52 6 Q. In fact, it's on the slide. It says infringement of

12:57:55 7 system claims, correct?

12:57:56 8 A. Yes, sir.

12:57:56 9 Q. You told the jury that every claim in the patent that's

12:58:01 10 at issue in this case was a system claim, correct?

12:58:03 11 A. Yes, sir.

12:58:04 12 Q. But, in fact --

12:58:04 13 MR. SHEASBY: Why don't we pull up the '681

12:58:06 14 patent, which is PX-1187, and let's turn to Claim 30.

12:58:25 15 Q. (By Mr. Sheasby) This is the '681 patent, Claim 30.

12:58:28 16 This is one of the patents that's asserted in this case,

12:58:32 17 correct?

12:58:32 18 A. Yes.

12:58:33 19 Q. And we can agree that the word "system," the actual

12:58:38 20 real-world system doesn't appear in this claim, correct?

12:58:41 21 A. Yes, sir.

12:58:41 22 Q. And Claim 13 recites, quote, non-transitory

12:58:46 23 computer-readable medium storing an app. Do you see that,

12:58:51 24 sir?

12:58:53 25 A. Yes.

12:58:53 1 Q. Claim 30 recites memory storing a software program,
12:58:56 2 correct?
12:58:56 3 A. Among other things, yes.
12:58:58 4 Q. Claim 30 is describing storing a software program in
12:59:08 5 non-volatile memory, correct?
12:59:10 6 A. Yes.
12:59:13 7 Q. Claim 30 is describing a software program stored on
12:59:18 8 memory, correct?
12:59:19 9 A. Yes. I've answered that. Yes.
12:59:24 10 Q. Wells Fargo's mobile application is a software program,
12:59:30 11 correct?
12:59:30 12 A. Yes, sir.
12:59:34 13 Q. And Wells Fargo stores its software program in
12:59:38 14 non-transitory memory, correct?
12:59:41 15 A. I'm not sure if I agree with that.
12:59:45 16 Q. Wells Fargo's mobile application is stored in
12:59:48 17 non-transitory memory, correct?
12:59:51 18 A. Yes, that's right.
12:59:53 19 Q. So for the ladies and gentlemen of the jury, Claim 30
12:59:56 20 doesn't use the word "system," correct?
12:59:58 21 A. Yes, that's right.
01:00:00 22 Q. Claim 30 is describing storing a software program on
01:00:03 23 non-volatile memory, correct?
01:00:05 24 A. Yes.
01:00:06 25 Q. Wells Fargo's mobile application is a software program,

01:00:10 1 correct?

01:00:10 2 A. Yes.

01:00:10 3 Q. And that software program is stored in non-transitory
01:00:12 4 memory, correct?

01:00:14 5 A. Yes.

01:00:14 6 Q. Who -- and the Wells Fargo mobile application is made
01:00:19 7 by Wells Fargo, correct?

01:00:20 8 A. I believe so.

01:00:22 9 Q. It's not made by the customer, correct?

01:00:24 10 A. Yes, that's right.

01:00:26 11 Q. And you told the ladies and gentlemen of the jury that
01:00:28 12 this claim was a system claim, correct?

01:00:30 13 A. Yes.

01:00:31 14 Q. And it doesn't say system anywhere, correct?

01:00:35 15 A. That's right.

01:00:35 16 Q. And the jury, when they go into the room to deliberate,
01:00:39 17 can take into account that you told the jury that this was
01:00:42 18 a system claim, Claim 30, correct?

01:00:43 19 A. Yes.

01:00:44 20 Q. And they can use their common sense and read the claim
01:00:47 21 to see if there's a reference to the word "system,"
01:00:50 22 correct?

01:00:50 23 A. Of course.

01:00:51 24 Q. They can use their common sense and hear your testimony
01:00:55 25 that this is -- claim is describing a software program on

01:00:57 1 non-volatile memory, correct?

01:00:59 2 A. Yes.

01:01:01 3 Q. Now, the other claims in the patent that are at issue
01:01:12 4 are system claims, correct?

01:01:14 5 A. Yes. The other claims are system claims, yes.

01:01:17 6 Q. And if you examine --

01:01:25 7 MR. SHEASBY: Let's pull up Claim 12, for example,
01:01:30 8 in the '681 patent.

01:01:31 9 Q. (By Mr. Sheasby) If you examine each and every element
01:01:40 10 of the patents-in-suit, none of them recite elements that
01:01:45 11 are to be formed by a user, as opposed to by a downloaded
01:01:49 12 application or the back end server, correct?

01:01:53 13 A. Yes. The user is not performing the steps, that's
01:01:56 14 right.

01:01:56 15 Q. None of the elements in any claim of the
01:02:00 16 patents-in-suit are performed by the user, correct?

01:02:03 17 A. I think that's right, yes.

01:02:05 18 Q. They're all performed by either the downloaded
01:02:08 19 application, correct, or the back end server?

01:02:13 20 A. I think there's multiple things recited so that's --
01:02:17 21 those are some of the things that are recited.

01:02:19 22 Q. Sir, why don't you turn to Tab 2 of your deposition?

01:02:23 23 A. I'm sorry?

01:02:24 24 Q. Tab 2 of your binders, which is your deposition from
01:02:27 25 Case 2.

01:02:32 1 A. Yes.

01:02:32 2 Q. And look at Line 69, 17 through 21.

01:02:44 3 A. I'm sorry, Line 69 or page --

01:02:46 4 Q. Page 69, Line 17 through 21.

01:02:50 5 A. Page 69, Line 17 through 21?

01:02:53 6 Q. Sir, for the system claims of the '605 and '681 patent,

01:02:59 7 you cannot identify any element of the claims that require

01:03:05 8 steps performed by the user, correct?

01:03:07 9 A. I think that's right, yes.

01:03:08 10 Q. And, in fact, at your deposition, you couldn't recall

01:03:15 11 any element that was required to be -- be performed by the

01:03:19 12 user, as opposed to by the downloaded application or the

01:03:24 13 back end software, correct?

01:03:25 14 A. I don't recall. I think that's right, yes.

01:03:28 15 Q. You have not offered any opinion the elements of the

01:03:32 16 system claims in the patents-in-suit are performed by the

01:03:34 17 user, correct?

01:03:35 18 A. I think that's correct, yes.

01:03:39 19 Q. The claims don't require that the user take any step

01:03:43 20 whatsoever, correct?

01:03:44 21 A. I believe that's correct, yes.

01:03:47 22 Q. Now, you spoke about the fact that an entity can be

01:04:09 23 liable for infringement if it makes or uses a system,

01:04:13 24 correct?

01:04:13 25 A. Yes. I mean, you're paraphrasing, but that's -- yes.

01:04:21 1 Q. And one of the ways you make a system is by assembling
01:04:25 2 it, correct?

01:04:27 3 A. My understanding is that that can be assembling, yes.

01:04:31 4 Q. And so the mobile application that's used in the system
01:04:40 5 is built by Wells Fargo, correct?

01:04:43 6 A. I assume that's the case. I don't -- haven't
01:04:47 7 investigated, but I assume that's the case.

01:04:49 8 Q. So you understand that this case is about Wells Fargo's
01:04:52 9 mobile remote deposit capture application, fair?

01:04:54 10 A. Yes, I understand that.

01:04:55 11 Q. And you're the technical expert in this case, fair?

01:04:57 12 A. Yes.

01:04:57 13 Q. And you didn't investigate whether Wells Fargo made the
01:05:01 14 application that's at issue in this case?

01:05:03 15 A. I didn't investigate whether they had third-party
01:05:07 16 contractors, for example.

01:05:09 17 THE COURT: Dr. Villasenor, you're going to have
01:05:10 18 to speak up.

01:05:11 19 A. Okay. I didn't investigate whether they had
01:05:14 20 third-party solutions also involved in making the app. I
01:05:19 21 don't know.

01:05:19 22 Q. (By Mr. Sheasby) Okay. So you are providing testimony
01:05:21 23 to the ladies and gentlemen of the jury about whether Wells
01:05:25 24 Fargo makes this system, and you're saying it doesn't,
01:05:27 25 fair?

01:05:27 1 A. No, that's not what I said.

01:05:36 2 Q. You're taking the position that Wells Fargo doesn't
01:05:39 3 make the Wells Fargo mobile remote deposit capture system,
01:05:43 4 correct?

01:05:43 5 A. Can you clarify what you mean by system?

01:05:46 6 Q. Sir, the system accused of infringement in this case,
01:05:54 7 does Wells Fargo make that system or doesn't it?

01:05:55 8 A. Well, to the extent that the system includes, as is
01:05:59 9 shown here, the customer's mobile phone, then, no.

01:06:02 10 Q. You did nothing to investigate whether Wells Fargo is
01:06:13 11 directing or controlling the conduct of, for example, the
01:06:17 12 customer, correct?

01:06:20 13 A. I didn't -- I don't recall specifically discussing
01:06:23 14 that.

01:06:28 15 Q. You provided no analysis whatsoever as to whether Wells
01:06:41 16 Fargo benefits from the elements of the claims at issue,
01:06:46 17 correct?

01:06:46 18 A. That's correct.

01:06:48 19 Q. And so one of the ways that you can infringe a system
01:06:55 20 claim is if Wells Fargo benefits from the elements of the
01:06:59 21 claims, correct?

01:07:01 22 A. I think if the proper test is conducted, each and every
01:07:06 23 element, I think that's right, yeah.

01:07:07 24 Q. So the question is, does Wells Fargo benefit from each
01:07:10 25 and every element of the mobile remote deposit capture

01:07:12 1 system recited in the claims, correct?

01:07:14 2 A. That is the question that can be asked, yes.

01:07:18 3 Q. And, in fact, it's a question that will determine
01:07:19 4 whether Wells Fargo is infringing as a user of the system
01:07:24 5 claims under your theory of the case, correct?

01:07:26 6 A. I don't actually agree.

01:07:31 7 Q. Now, we do know some things. We know that the Wells
01:07:36 8 Fargo mobile application at issue in this case will only
01:07:39 9 interface with Wells Fargo's servers; it won't interface
01:07:42 10 with the bank, correct?

01:07:43 11 A. I'm sorry, I'm not sure what you mean by it won't
01:07:45 12 interface with the bank.

01:07:46 13 Q. It won't interface with any other bank, sir?

01:07:49 14 A. I think that's right, yes.

01:07:50 15 Q. You don't identify any user parameters that the user
01:07:54 16 can control on Wells Fargo's Mobile Deposit system,
01:07:58 17 correct?

01:07:58 18 A. Oh, I don't recall.

01:08:00 19 Q. You don't identify any aspects of the rules or
01:08:03 20 processes that are used for Wells Fargo's Mobile Deposit
01:08:08 21 that can be set by the user, as opposed to the bank,
01:08:11 22 correct?

01:08:11 23 A. I don't recall.

01:08:15 24 Q. Sir, you told the ladies and gentlemen of the jury that
01:08:23 25 Wells Fargo must benefit from each and every element of the

01:08:27 1 claims of the patents, correct?

01:08:30 2 A. I said that that was one of the tests.

01:08:33 3 Q. You don't even know what the word "benefit" means,
01:08:36 4 correct?

01:08:36 5 A. I -- I know in a legal -- in a general sense, but not
01:08:40 6 the legal definition.

01:08:41 7 Q. You don't know what a benefit is for the purpose of
01:08:45 8 this analysis, correct?

01:08:47 9 A. I don't have a specific opinion on what a benefit is,
01:08:51 10 that's correct.

01:08:51 11 Q. For example, you don't know if saving \$2.50 per check
01:08:56 12 every time a deposit is made is a benefit, correct?

01:08:59 13 A. That sounds like a benefit.

01:09:01 14 Q. So we agree that Wells Fargo, when it saves \$2.54 every
01:09:08 15 time it deposits a check that would have otherwise gone
01:09:11 16 through the teller, that sounds like a benefit to you,
01:09:13 17 fair?

01:09:13 18 A. If that number is correct in the broad sense, saving
01:09:18 19 money would be a benefit, yes.

01:09:19 20 Q. Well, sir, you were in the court every single day,
01:09:23 21 correct?

01:09:23 22 A. Yes, sir.

01:09:24 23 Q. You heard Ms. Lockwood-Stein testify under oath that
01:09:26 24 every time a user deposits a check through mobile as
01:09:31 25 opposed to through a teller, they save \$2.54, correct?

01:09:36 1 A. I actually didn't remember that number.

01:09:37 2 Q. You don't remember the number?

01:09:39 3 A. I haven't memorized every number I've heard in the last
01:09:42 4 week, no.

01:09:43 5 Q. But we do know this, from a matter of common sense,
01:09:45 6 saving multiple dollars every time a check is deposited,
01:09:49 7 that sounds like a benefit, doesn't it, Professor
01:09:53 8 Villasenor?

01:09:53 9 A. I think, in general, saving money would be a benefit,
01:09:56 10 yeah.

01:09:56 11 Q. And you understand that the claims of the
01:09:59 12 patents-in-suit are directed to mobile remote deposit
01:10:02 13 capture systems, correct?

01:10:03 14 A. I -- I understand that the claims are addressed there,
01:10:12 15 addressing systems, yes, with -- for -- with a computer and
01:10:15 16 an image acquired by a camera.

01:10:19 17 Q. Sir, the claims are directed at mobile remote deposit
01:10:25 18 capture, correct?

01:10:25 19 A. Again, the -- I don't think that phrase is used, but it
01:10:29 20 certainly addresses -- the claims address a portable device
01:10:32 21 and a mobile device.

01:10:32 22 Q. Sir, do you know that the claims of the patents are
01:10:37 23 directed at mobile remote deposit capture?

01:10:38 24 A. They -- well, they are in some cases, but it doesn't
01:10:44 25 mean that -- I want to be careful not to give an overly

01:10:48 1 broad answer that might be misconstrued.

01:10:50 2 Q. Sir, can you answer the question as to whether the
01:10:53 3 claims are directed at the mobile remote deposit capture?

01:10:55 4 A. They're directed to certain kinds of mobile remote
01:10:59 5 deposit capture.

01:10:59 6 Q. And it's mobile remote deposit capture that is saving
01:11:04 7 Wells Fargo money every time a system is used, fair?

01:11:07 8 A. Again, I don't have my own opinion on that, but I heard
01:11:14 9 testimony that it does save money, yes.

01:11:18 10 Q. You don't have any own opinion as to whether Wells
01:11:21 11 Fargo benefits from the system it uses?

01:11:24 12 A. I didn't -- I wasn't asked to do an -- an economic
01:11:28 13 analysis, so I didn't do that.

01:11:30 14 Q. Sir, you've been testifying that one of the analyses
01:11:34 15 that needs to occur is to whether Wells Fargo benefits from
01:11:38 16 each and every element of the claims, correct?

01:11:41 17 A. That's one -- it -- that's -- sort of. It's one of the
01:11:46 18 tests for that particular infringement evaluation, but it's
01:11:50 19 not necessary if someone satisfies another product such
01:11:55 20 that it makes.

01:11:56 21 Q. So you didn't do any analysis as to whether Wells Fargo
01:12:00 22 benefits from its system, correct?

01:12:01 23 A. At the level of each element, that's correct, I did
01:12:07 24 not.

01:12:07 25 Q. So you didn't do any analysis of whether Wells Fargo

01:12:10 1 benefits from its system, correct?

01:12:12 2 A. That's probably right, yes.

01:12:14 3 Q. Now, you also talked about what I'll call technical
01:12:20 4 infringement arguments, where you actually think particular
01:12:23 5 elements of the claims are not met, fair?

01:12:27 6 A. Yes, that's right.

01:12:28 7 Q. And, in fact, I think in your deposition, we called
01:12:30 8 them technical elements, fair?

01:12:32 9 A. I don't recall. That may be right.

01:12:35 10 Q. Now, there are two patents at issue in this case. One
01:12:39 11 is the '605 patent, fair?

01:12:40 12 A. Yes.

01:12:40 13 Q. And you put up no slide and said absolutely nothing
01:12:46 14 about the technical issues associated with the '605 patent,
01:12:49 15 correct?

01:12:49 16 A. To use your terminology about technical issues, that's
01:12:54 17 correct, yes.

01:12:55 18 Q. In fact, you're not disputing that in the systems,
01:12:58 19 which is the mobile app running the mobile phone -- app on
01:13:02 20 the mobile phone plus the back end servers, you're not
01:13:04 21 disputing that every single limitation of the '605 patent
01:13:08 22 is present, correct?

01:13:10 23 A. I have not offered a technical opinion on the -- any of
01:13:14 24 those claim elements, that's right.

01:13:16 25 Q. Sir, for the ladies and gentlemen of the jury, are you

01:13:20 1 disputing in your direct testimony that any element of the
01:13:26 2 '605 patent is not met?

01:13:27 3 A. Putting -- putting aside the divided infringement
01:13:31 4 argument, I am not disputing that.

01:13:33 5 Q. From a technical standpoint, you're not disputing that
01:13:36 6 every element of the claims of the '605 patent are met,
01:13:39 7 fair?

01:13:39 8 A. Yes, that's right.

01:13:41 9 Q. Now, for the '681 patent, there is only a -- one
01:13:46 10 element that you're asserting as not met, correct?

01:13:50 11 A. Yes, sir, that's right.

01:13:57 12 MR. SHEASBY: And why don't we pull up Slide 12 of
01:14:12 13 your demonstratives.

01:14:31 14 Actually, let's pull up Slide 11.

01:14:35 15 Q. (By Mr. Sheasby) Now, this is the slide you showed the
01:14:40 16 jury, correct?

01:14:41 17 A. Yes, sir.

01:14:42 18 Q. And what you told the ladies and gentlemen of the jury
01:14:46 19 is that the actual process of optical character recognition
01:14:51 20 determining an amount of the check must occur solely on the
01:14:54 21 mobile device, correct?

01:14:55 22 A. I don't think I used that word, no.

01:15:00 23 Q. Does it have to occur solely on the mobile device, or
01:15:03 24 can the server assist it?

01:15:04 25 A. It must occur on the mobile device.

01:15:06 1 Q. Okay. Now --

01:15:09 2 A. In the claim. I just want to clarify, yes, in the
01:15:12 3 claim.

01:15:12 4 Q. Now, I notice that there's part of that passage that
01:15:14 5 you didn't underline.

01:15:16 6 It says: The system performs optical character
01:15:20 7 recognition. Do you see that?

01:15:21 8 A. Yes.

01:15:25 9 Q. System performs optical character recognition?

01:15:30 10 A. Yes, sir.

01:15:31 11 Q. The word "system" is a different word from the word
01:15:37 12 "digital camera," correct?

01:15:39 13 A. Yes, that's right.

01:15:40 14 Q. And what this claim describes and what it says is that
01:15:43 15 the system performs optical character -- character
01:15:45 16 recognition, correct?

01:15:45 17 A. That's what that highlighting says, yes.

01:15:48 18 Q. And in the claims -- in Claim 12, the system
01:15:52 19 encompasses not just the mobile device, it encompasses the
01:15:58 20 downloaded app and the computer associated with the bank
01:16:01 21 that is not on the mobile device, correct?

01:16:02 22 A. Yes, that's right.

01:16:06 23 Q. So to level set, you told the jury that Claim 12
01:16:12 24 requires that the mobile device perform the optical
01:16:16 25 character recognition, fair?

01:16:17 1 A. That's what I believe the claim requires, yes.

01:16:19 2 Q. You didn't highlight the portion of the claim that says
01:16:22 3 the system performs optical character recognition, correct?

01:16:25 4 A. Yes, that's right.

01:16:26 5 Q. And, in fact, you didn't tell the jury that in Claim
01:16:30 6 12, the system encompasses not just the mobile device, it
01:16:36 7 also encompasses the servers on the back end, correct?

01:16:41 8 A. Actually, I believe I did describe the system as having
01:16:45 9 those -- both of those elements, I believe.

01:16:48 10 Q. Sir, the word "system" encompasses not just the mobile
01:16:51 11 device. It encompasses the downloaded application in a
01:16:54 12 computer associated with the bank --

01:16:56 13 THE COURT: Slow down, Mr. Sheasby, please.

01:16:57 14 MR. SHEASBY: Yes, Your Honor.

01:16:58 15 Q. (By Mr. Sheasby) Sir, the word "system" in Claim 12
01:17:04 16 encompasses not just the mobile device, it encompasses the
01:17:08 17 downloaded app in a computer associated with the bank that
01:17:11 18 is not on the mobile device, fair?

01:17:13 19 A. Yes, I agree with that.

01:17:14 20 Q. Now, one of the issues you talked about is source code.
01:17:21 21 You told the ladies and gentlemen of the jury that you've
01:17:22 22 read source code in preparation for your testimony, fair?

01:17:26 23 A. I have looked at some source code, yes.

01:17:28 24 Q. But you've actually never gone and read source code in
01:17:31 25 this case, correct?

01:17:33 1 A. I have read some source code in this case.

01:17:37 2 Q. Sir, you've never gone to the computer where the source
01:17:40 3 code is securely stored and read it, correct?

01:17:42 4 A. I haven't read it on that computer, that's correct.

01:17:44 5 Q. The only source code you ever read was the source code
01:17:47 6 that was in Professor Conte's report, correct?

01:17:49 7 A. Yes, that's correct.

01:17:50 8 Q. And, in fact, at your deposition, we noted the fact
01:17:55 9 that -- that you've made mistakes in your reading of source
01:17:59 10 code in the past, correct?

01:18:00 11 A. I have made mistakes, yes.

01:18:02 12 Q. And, in fact, in the preparation of your report in this
01:18:05 13 case, you made mistakes in your reading of source code,
01:18:07 14 correct?

01:18:07 15 A. I'm only aware of one.

01:18:10 16 Q. You made one mistake in the reading of the source code
01:18:13 17 in this case, correct?

01:18:15 18 A. One that I can think of.

01:18:16 19 Q. And, in fact, the mistake you made is you thought a
01:18:20 20 step was performed on the server when it was performed on
01:18:23 21 the device, correct?

01:18:24 22 A. That's right, yeah.

01:18:25 23 Q. And so it'd be fair to say, and the jury can balance
01:18:28 24 the fact, that you have historically made mistakes in your
01:18:31 25 written report about the operation of source code, fair?

01:18:34 1 A. I disagree.

01:18:37 2 Q. You don't believe the jury should take into account
01:18:40 3 that you've made mistakes in your interpretation of source
01:18:43 4 code?

01:18:43 5 A. I don't know what mistakes, plural, you're speaking of.

01:18:46 6 Q. Do you believe the jury should take into account that
01:18:52 7 you made a mistake when you previously analyzed source code
01:18:56 8 in this case?

01:18:57 9 A. I believe the jury can make its own decision.

01:19:00 10 Q. Now, you told the ladies and gentlemen of the jury that
01:19:24 11 you thought there was a non-infringing alternative to the
01:19:26 12 patents-in-suit, correct?

01:19:28 13 A. Yes, sir.

01:19:28 14 Q. You told them you just don't need to give instructions
01:19:32 15 to the users, correct?

01:19:33 16 A. I said that that was a non-computer term, but yes.

01:19:37 17 Q. You told them it was viable, correct?

01:19:39 18 A. I believe "feasible" is the word I used.

01:19:41 19 Q. The reality is, is that you did nothing to investigate
01:19:45 20 whether what you describe as a non-infringing alternative
01:19:47 21 would be commercially viable, correct?

01:19:50 22 A. That -- that's right. I was focused on technical
01:19:54 23 feasibility, that's right.

01:19:55 24 MR. SHEASBY: Your Honor, objection,
01:19:59 25 non-responsive.

01:20:08 1 THE COURT: The answer "that's right" is correct.

01:20:10 2 I'll strike the remainder of the answer.

01:20:13 3 Q. (By Mr. Sheasby) You did nothing to investigate

01:20:15 4 whether any of these alternatives you describe as

01:20:20 5 non-infringing are legal or even allowed under the

01:20:23 6 regulations that govern banking, correct?

01:20:26 7 A. That's correct.

01:20:26 8 Q. You don't even know whether building the non-infringing

01:20:30 9 system you're talking about would be within the risk

01:20:32 10 compliance standards set up by Wells Fargo, correct?

01:20:36 11 A. I was not asked to investigate that, that's correct.

01:20:38 12 Q. You did nothing to calculate the number of different

01:20:49 13 regulatory functions and surveillance functions and

01:20:54 14 operation parameters that would have to change for Wells

01:20:56 15 Fargo to remove the functionality that you describe,

01:21:00 16 correct?

01:21:00 17 A. Yes, sir, that's correct.

01:21:03 18 Q. You believe that somebody who is not aware of the

01:21:06 19 relevant laws probably shouldn't be in a position of

01:21:08 20 authority to make decisions about commercial systems in

01:21:12 21 banking, correct?

01:21:13 22 A. I think that's a fair statement, yeah.

01:21:15 23 Q. You're not in that position, correct?

01:21:17 24 A. I'm sorry, I'm not sure I understand the question.

01:21:21 25 Q. You're not aware of the laws and regulations and

01:21:24 1 procedures that would be necessary to consider as to
01:21:26 2 whether your non-infringing alternative would be
01:21:27 3 commercially viable, correct?

01:21:28 4 A. I don't know all of the laws for the banking
01:21:31 5 regulations around that, that's right.

01:21:33 6 Q. Do you know any of them?

01:21:34 7 A. I'm familiar with some of the -- the laws, but I don't
01:21:38 8 know how they would necessarily relate to the
01:21:41 9 non-infringing alternative I mentioned.

01:21:43 10 Q. Now, there is one person in this courtroom who could
01:21:48 11 have considered, from a business standpoint, whether the
01:21:53 12 system you describe was commercially viable, correct?

01:21:56 13 A. I'm not sure who you're referring to.

01:21:58 14 Q. Well, Mr. Saffici, he spent 40 years in his system.
01:22:02 15 He's an absolute expert in business, correct?

01:22:06 16 A. I actually think that's incorrect. I think he has
01:22:09 17 spent 53 years in the system.

01:22:11 18 Q. Mr. Saffici has spent 53 years as a business expert in
01:22:13 19 this system, correct?

01:22:14 20 A. In banking and checking, yeah, that's how long he's
01:22:17 21 spent, yes.

01:22:18 22 Q. He did nothing to explain to you whether what you're
01:22:25 23 proposing to the jury was commercially viable or not,
01:22:29 24 correct?

01:22:29 25 A. I didn't have a conversation with him about that, that

01:22:32 1 I can recall.

01:22:33 2 Q. You didn't ask him whether it's commercially viable or
01:22:36 3 not, correct?

01:22:36 4 A. I think that's right, yeah.

01:22:38 5 Q. So what we have is we have Mr. Hecht, Wells Fargo's
01:22:43 6 corporate representative, who testified. We had
01:22:47 7 Mr. Saffici, who was a business expert in RDC, testify.
01:22:51 8 And not one of those people -- not one of those people that
01:22:53 9 have decades and decades and decades of experience in
01:22:57 10 banking testified that your non-infringing alternative is
01:22:59 11 commercially viable, fair?

01:23:00 12 A. I don't believe they testified to that particular
01:23:04 13 point, that's right.

01:23:05 14 MR. SHEASBY: I pass the witness, Your Honor.

01:23:06 15 THE COURT: Redirect, Mr. Melsheimer?

01:23:08 16 MR. MELSHEIMER: Just briefly, Your Honor.

01:23:11 17 THE COURT: While he's going to the podium,
01:23:14 18 Dr. Villasenor, you're going to have to speak up. You're
01:23:17 19 just really whispering over there. I know you're close to
01:23:20 20 the microphone.

01:23:21 21 THE WITNESS: I'm sorry.

01:23:22 22 THE COURT: Just make it louder coming out of your
01:23:25 23 voice.

01:23:25 24 THE WITNESS: I'm sorry, Your Honor.

01:23:26 25 THE COURT: All right. Mr. Melsheimer.

REDIRECT EXAMINATION

01:23:26 1

01:23:27 2

BY MR. MELSHEIMER:

01:23:27 3

Q. Dr. Villasenor, just a couple of questions. Does

01:23:30 4

claim -- you were asked about Claim 30 and whether or not

01:23:32 5

it was a system claim?

01:23:34 6

A. Yes, sir.

01:23:34 7

Q. Does -- does Claim 30 involve multiple entities as

01:23:38 8

accused by Mr. -- as accused by Dr. Conte?

01:23:42 9

MR. SHEASBY: Your Honor, may we approach? I

01:23:48 10

have an objection.

01:23:49 11

MR. MELSHEIMER: You know, I'll withdraw the

01:23:50 12

question in the interest of time, if that's all right.

01:23:51 13

THE COURT: Then let's move on.

01:23:55 14

Q. (By Mr. Melsheimer) Is saving -- you were asked some

01:24:00 15

questions about benefits, Your Honor -- Dr. Villasenor, you

01:24:03 16

were asked some questions about saving money for the bank?

01:24:06 17

A. Yes, sir.

01:24:07 18

Q. Is saving money for the bank one of the claim elements

01:24:10 19

of the patents in this case?

01:24:12 20

A. No, sir, there's no specific element that's -- recites

01:24:17 21

saving money.

01:24:18 22

Q. Was it your job, as you understood it, to investigate

01:24:22 23

and prove up the benefits of each claim element in this

01:24:24 24

case?

01:24:24 25

A. No, sir, that was not my job.

01:24:26 1 Q. Whose job was that?

01:24:28 2 A. My understanding is that the burden to establish
01:24:31 3 infringement falls on -- on the Plaintiff.

01:24:33 4 Q. Now, with respect to this question you were asked about
01:24:36 5 the mistake that you made in the source code. You -- you
01:24:40 6 made one mistake; is that your testimony?

01:24:43 7 A. Yes, sir.

01:24:45 8 Q. Okay. And does that mistake that you made have
01:24:48 9 anything to do with what you told the jury this morning
01:24:53 10 about this confirming step analysis?

01:24:55 11 A. Not at all.

01:24:56 12 Q. Do you know why that was brought up?

01:24:59 13 A. I can't speculate as to what Mr. Sheasby was thinking.

01:25:04 14 MR. MELSHEIMER: May I have a moment, Your Honor?

01:25:05 15 THE COURT: You may.

01:25:14 16 MR. MELSHEIMER: No further questions, Your Honor.
01:25:16 17 Thank you, Dr. Villasenor.

01:25:17 18 THE COURT: Do you have additional
01:25:18 19 cross-examination, Mr. Sheasby?

01:25:19 20 MR. SHEASBY: Your Honor, no additional
01:25:21 21 cross-examination.

01:25:22 22 THE COURT: Then you may step down,
01:25:23 23 Dr. Villasenor.

01:25:24 24 THE WITNESS: Thank you, Your Honor.

01:25:24 25 MR. SHEASBY: Your Honor, with your permission,

01:25:25 1 may I clear the binders?

01:25:27 2 THE COURT: Pardon?

01:25:27 3 MR. SHEASBY: May I clear the binders -- remove
01:25:30 4 the demonstratives for the next witness.

01:25:34 5 THE COURT: Well, let's see what the Defendant's
01:25:36 6 next witness is. I appreciate the offer.

01:25:39 7 But, Defendant, call your next witness.

01:25:43 8 MS. WILLIAMS: Thank you, Your Honor. We call
01:25:45 9 Mr. Chris Gerardi.

01:25:46 10 THE COURT: All right. If you'll come forward and
01:25:48 11 be sworn, please, Mr. Gerardi.

01:26:12 12 (Witness sworn.)

01:26:13 13 THE COURT: Please come around, sir. Have a seat
01:26:14 14 on the witness stand.

01:26:27 15 MS. WILLIAMS: Your Honor, may I provide the
01:26:31 16 witness with a binder, as well as opposing counsel?

01:26:35 17 THE COURT: You may approach.

01:26:37 18 THE WITNESS: May I move these out of the way?

01:26:40 19 THE COURT: The CSO will help you.

01:26:56 20 All right. Ms. Williams, you may proceed.

01:26:59 21 MS. WILLIAMS: Thank you, Your Honor. May it
01:27:01 22 please the Court.

01:27:01 23 CHRIS GERARDI, DEFENDANT'S WITNESS, SWORN

01:27:01 24 DIRECT EXAMINATION

01:27:01 25 BY MS. WILLIAMS:

01:27:04 1 Q. Will you introduce yourself to the jury?

01:27:05 2 A. Sure. Good afternoon. I'm Chris Gerardi.

01:27:07 3 Q. Will you please tell us a little bit about yourself?

01:27:10 4 A. Sure. My wife and I live in the Jacksonville, Florida
01:27:11 5 area. We've been married 30 years this year. Three grown
01:27:12 6 children.

01:27:12 7 I grew up in Worcester, Massachusetts, one of
01:27:18 8 three boys to a single mom. Spent my time working through
01:27:24 9 school at my uncle's plumbing shop, stocking shelves and
01:27:24 10 cutting pipe and doing any other odd jobs that were asked
01:27:27 11 of me.

01:27:27 12 Q. You mentioned you went to school. Where did you go to
01:27:29 13 college?

01:27:29 14 A. My undergraduate degree I received from the University
01:27:32 15 of Massachusetts at Dartmouth in economics, and I received
01:27:36 16 my Master's degree in banking, finance, and money
01:27:41 17 management several years later from a school called Adelphi
01:27:44 18 University.

01:27:44 19 Q. What is your role in this case?

01:27:46 20 A. I've been asked to do three things. One is to talk and
01:27:51 21 comment about the damages opinions presented by
01:27:53 22 Mr. Weinstein; two, is to comment on some of the damages
01:27:56 23 and opinions presented by Mr. Calman; and, three, is to
01:28:00 24 evaluate the damages should liability be found in this
01:28:04 25 matter that Wells Fargo may -- may be obligated to pay.

01:28:09 1 Q. Let's talk about what qualifies you to provide those
01:28:11 2 opinions in this case.

01:28:12 3 Can you please tell the jury where you work?

01:28:16 4 A. Sure. Currently I'm a vice president with a company
01:28:19 5 called Charles River Associates.

01:28:24 6 We provide a variety of economic and financial
01:28:27 7 accounting type services to companies both in the
01:28:27 8 litigation and non-litigation typesetting. Prior to that,
01:28:30 9 I spent 16 years with a company called FTI Consulting where
01:28:35 10 I co-led the disputes practice and the intellectual
01:28:38 11 property practice.

01:28:39 12 And, again, we provided the same types of
01:28:41 13 services, a variety of accounting and corporate finance,
01:28:45 14 accounting and finance services. I was a partner at KPMG,
01:28:51 15 which is one of the largest accounting firms in the world,
01:28:53 16 before that.

01:28:54 17 Q. During your time at Charles River Associates, FTI, and
01:29:01 18 KPMG, have you had experience in calculating damages in
01:29:05 19 patent matters such as this?

01:29:06 20 A. Yes, I have. I've worked north of 75 to a hundred
01:29:09 21 different types of intellectual property matters such as
01:29:12 22 this.

01:29:12 23 Q. Have any of those involved the banking industry?

01:29:14 24 A. Yes, several of them have. I worked on matters for
01:29:19 25 banks such as Bank of America, Citibank, JPMorgan Chase,

01:29:24 1 HSBC, and several other banks.

01:29:26 2 Q. Has your work involved assisting companies with valuing
01:29:30 3 intellectual property?

01:29:31 4 A. Yes. So even outside of the context of litigation,
01:29:35 5 when a company has intellectual property that it's looking
01:29:38 6 to license or do something with, I'll help them evaluate
01:29:40 7 the markets that they may be applicable to, identify
01:29:44 8 companies that they may be interested in talking to
01:29:47 9 licensing about, and helping them frame what the economics
01:29:50 10 of the licensing may look like so when they have those
01:29:54 11 negotiations, they have informed decisions about how to go
01:29:57 12 about that licensing discussion or that licensing
01:29:59 13 negotiation.

01:29:59 14 Q. Have you given presentations or written articles about
01:30:05 15 intellectual property valuation?

01:30:06 16 A. Yes. Over the course of my 30 years, I have spoken at
01:30:10 17 many conferences. I've authored chapters in books having
01:30:16 18 to do with the calculation of patent damages, presented at
01:30:20 19 various bar associations, and actually taught some courses
01:30:23 20 at some universities about this type of subject.

01:30:24 21 Q. How many years have you been working in the area of
01:30:29 22 economic damages for intellectual property?

01:30:30 23 A. I'm pushing 30 years now.

01:30:34 24 Q. Have you ever been qualified as an expert in the area
01:30:37 25 of damages?

01:30:38 1 A. Yes, I have.

01:30:40 2 Q. Is CR -- sorry, is Charles River Associates, the
01:30:45 3 company that you work for, being compensated for the work
01:30:47 4 that you're doing in this case?

01:30:49 5 A. Yes, they are.

01:30:50 6 Q. What is your -- what is the rate for your work that
01:30:55 7 Charles River Associates is being paid?

01:30:55 8 A. CRA receives \$725.00 an hour for my time.

01:30:59 9 Q. Approximately how many hours have you spent on this
01:31:02 10 case?

01:31:02 11 A. Myself, a hundred to 125 hours.

01:31:08 12 MS. WILLIAMS: Your Honor, at this time we tender
01:31:10 13 Mr. Gerardi as an expert on the valuation of intellectual
01:31:13 14 property and the calculation of patent damages.

01:31:15 15 THE COURT: Is there objection?

01:31:16 16 MR. SHEASBY: No objection, Your Honor.

01:31:19 17 THE COURT: Without objection, the Court will
01:31:21 18 recognize this witness as an expert in those designated
01:31:23 19 fields.

01:31:24 20 You may continue, counsel.

01:31:26 21 MS. WILLIAMS: Thank you, Your Honor.

01:31:26 22 Q. (By Ms. Williams) Mr. Gerardi, let's turn to the work
01:31:30 23 you did in this case. You mentioned that you were asked to
01:31:33 24 do -- to do three things. What were those three things?

01:31:36 25 A. Again, one, evaluate the report that was submitted by

01:31:40 1 Mr. Weinstein; second, to evaluate the damages related to
01:31:44 2 the report submitted by Mr. Calman; and, then, third,
01:31:48 3 provide my own independent assessment of what the economic
01:31:52 4 damages would be should the jury find that USAA prevails on
01:31:55 5 its claims against Wells Fargo.

01:31:56 6 Q. Are you providing any opinion on infringement?

01:31:59 7 A. No, I'm not.

01:32:00 8 Q. Are you providing any opinion on the invalidity of
01:32:04 9 these patents?

01:32:05 10 A. No, I'm not.

01:32:06 11 Q. So by providing your testimony today to the jury, are
01:32:10 12 you in any way suggesting that Wells Fargo should pay
01:32:14 13 damages in this case?

01:32:15 14 A. No, I'm not.

01:32:16 15 Q. All right. Let's -- will you describe for us what
01:32:21 16 materials you asked for and what you reviewed in this case?

01:32:24 17 A. Sure. So in the course of conducting these types of
01:32:27 18 analyses, obviously, there's information you're going to
01:32:31 19 want to obtain from the parties. And so documents from
01:32:34 20 both Wells Fargo and -- and USAA. Since this related to
01:32:38 21 the banking aspect and the MRDC aspect of what Wells Fargo
01:32:41 22 is accused of doing, I asked for a variety of their related
01:32:46 23 information. So I reviewed that information from -- from
01:32:51 24 Wells Fargo.

01:32:51 25 We obtained and saw some of the depositions you've

01:32:55 1 seen here from many of the parties, that were taken in this
01:32:58 2 case. Obviously, I reviewed Dr. Villasenor's report,
01:33:02 3 Mr. Saffici's report, and that of Mr. -- Mr. Weinstein and
01:33:07 4 Mr. Calman. Some publicly available information we
01:33:11 5 obtained on our own to fill in some -- some blanks there.

01:33:16 6 I spent a lot of time talking with Mr. Hecht. And
01:33:18 7 spent some time with various other Wells Fargo's
01:33:24 8 employees: Mr. Rosati, who was one of the product
01:33:27 9 managers; Ms. Lockwood-Stein, who I believe you saw on
01:33:29 10 videotape; Mr. Ajami. And then, again, obviously spent
01:33:33 11 some time talking with Mr. Villasenor and Mr. Saffici.

01:33:37 12 And then I relied upon my experience in working on
01:33:39 13 several other patent matters, particularly some in the
01:33:40 14 banking industry having to do with various payment
01:33:42 15 processing systems.

01:33:44 16 Q. Why did you speak with Dr. Villasenor?

01:33:48 17 A. I'm not a technical expert. I'm an economist. So I
01:33:52 18 needed to understand from a technical perspective what was
01:33:56 19 being accused of infringement, as he described previously,
01:34:00 20 and I also spoke to him about the non-infringing
01:34:02 21 alternative that he identified.

01:34:03 22 Q. You mentioned that you spoke with Mr. -- with
01:34:06 23 Mr. Hecht. Why did you speak with Mr. Hecht?

01:34:09 24 A. So in the context of ultimately preparing my damage
01:34:12 25 analysis, I needed to understand the Wells Fargo's systems

01:34:16 1 and I needed to understand how those front end systems that
01:34:19 2 we were talking about previously and those back end systems
01:34:21 3 you heard about, how they worked and how they were put
01:34:24 4 together and kind of the history of those. And, obviously,
01:34:27 5 Mr. Hecht in his role as -- as one of the senior folks at
01:34:31 6 bank of -- at Wells Fargo, he also gave me some of that
01:34:35 7 information to help me form my opinions.

01:34:37 8 Q. You also mentioned that you spoke with Mr. Saffici.
01:34:40 9 Why did you speak with Mr. Saffici?

01:34:42 10 A. Mr. Saffici gave me, again, some -- some general
01:34:45 11 background as to that back end -- those back end-type
01:34:50 12 systems; how long they were there; what were banks doing
01:34:52 13 over the courses of years to help process those items.

01:34:55 14 So his item processing experience over the years
01:34:58 15 was helpful to me to understand and evaluate the damages in
01:35:01 16 this case.

01:35:02 17 Q. Have you attended trial?

01:35:04 18 A. Oh, yes, I've been here since the opening statements.

01:35:06 19 Q. Are you prepared today to discuss the opinions that you
01:35:09 20 have in this case?

01:35:10 21 A. Yes, I am.

01:35:11 22 Q. All right. Before we go into the details of your
01:35:13 23 opinions, can you please give us a high level summary of
01:35:17 24 what they are?

01:35:18 25 A. Sure. So -- and, again, this is something I think that

01:35:23 1 Mr. Weinstein and I both agree upon. Our job as damages
01:35:25 2 experts is to evaluate the incremental benefit or the value
01:35:29 3 that's provided by the patented claims.

01:35:32 4 And so, first, the first opinion I have is in --
01:35:35 5 is that Mr. Weinstein, I believe, has failed to do that.

01:35:38 6 I think, as he testified to on Tuesday, much of
01:35:47 7 his analysis is based upon the fraud and fraud prevention
01:35:49 8 value. But as he testified later, the fraud and fraud
01:35:54 9 prevention elements aren't in the claims of the patent.

01:35:55 10 And so, second, I'll walk you through my analysis
01:35:59 11 of what I did and -- and how I believe that if the patents
01:36:02 12 are found to be valid and infringed, that the damage amount
01:36:05 13 in this case is -- is, based upon my calculation, is
01:36:08 14 \$3.98 million.

01:36:09 15 Q. You mentioned that you were in court and have been here
01:36:20 16 for all of the testimony since opening statements. Were
01:36:23 17 you here for Mr. Weinstein's testimony?

01:36:26 18 A. Yes, ma'am.

01:36:26 19 Q. And during Mr. Weinstein's testimony, did you confirm
01:36:29 20 that there were things that you and Mr. Weinstein agree on?

01:36:33 21 A. Yes.

01:36:33 22 Q. Will you please -- can you give us an example of what
01:36:38 23 you agree on?

01:36:39 24 A. Sure. So, again, in -- in the context of doing this
01:36:44 25 damage analysis, Mr. Weinstein I think did a good job of

01:36:48 1 presenting this hypothetical negotiation that we have to go
01:36:49 2 through. We have to go back and put together what the
01:36:53 3 parties would have negotiated at the time of first
01:36:56 4 infringement or at the time of the hypothetical
01:37:02 5 negotiation.

01:37:02 6 We both agree that a reasonable royalty is an
01:37:04 7 appropriate measure of damage. We both agree that the
01:37:08 8 hypothetical negotiation and the assumptions behind that
01:37:10 9 negotiation would have occurred in July of 2018. We both
01:37:15 10 agree that the damages periods of when damages began to
01:37:19 11 accrue or when they began to start would be August 17th of
01:37:24 12 2018, and we've measured damages through today through the
01:37:26 13 end of trial.

01:37:27 14 There's case law out there called Georgia-Pacific
01:37:31 15 that lists a bunch of factors that experts in our field use
01:37:34 16 to kind of evaluate the hypothetical negotiation. We both
01:37:40 17 agree that a commercially viable non-infringing alternative
01:37:43 18 would provide a cap to a royalty, and I'll explain that
01:37:46 19 later.

01:37:46 20 THE COURT: Mr. Gerardi, would you slow down,
01:37:49 21 please?

01:37:49 22 THE WITNESS: Yes, I'm sorry, Your Honor.

01:37:51 23 THE COURT: Just take it a little slower.

01:37:53 24 A. And then the other thing that we agree on, again, is
01:37:53 25 our job is to measure the incremental value provided by the

01:37:57 1 claims of the patent. What are the claims that we're asked
01:38:00 2 to evaluate? Because that's really what's at issue in the
01:38:02 3 matter.

01:38:04 4 Q. So just so I understand, you and Mr. Weinstein agree
01:38:07 5 that you value the incremental contribution associated with
01:38:11 6 the patent?

01:38:11 7 A. Yes, ma'am.

01:38:12 8 Q. And you're supposed to value what's new about the
01:38:16 9 patent that didn't exist before?

01:38:18 10 A. Yes, ma'am.

01:38:21 11 Q. Now, do you have any areas of disagreement with
01:38:24 12 Mr. Weinstein?

01:38:24 13 A. Yes, I do.

01:38:25 14 Q. Can you just describe what those are to the jury,
01:38:29 15 please?

01:38:29 16 A. Sure. And, again, as Mr. Weinstein testified the other
01:38:35 17 day at trial, his analyses are based upon valuing the fraud
01:38:40 18 detection and fraud prevention elements, and those are the
01:38:43 19 bases of his calculations. But as he testified to, on
01:38:48 20 Tuesday, those fraud prevention and fraud detection
01:38:53 21 elements aren't in the claims of the patents, so I think he
01:38:57 22 was valuing the wrong thing essentially.

01:38:59 23 Q. Were you here yesterday for Mr. Hecht's testimony?

01:39:01 24 A. Yes, ma'am.

01:39:02 25 Q. Did you hear counsel for USAA suggest that

01:39:06 1 Mr. Weinstein has two damages theories, one based on cost
01:39:10 2 savings and one based on fraud prevention value?

01:39:12 3 A. I heard that.

01:39:13 4 Q. Do you agree with that?

01:39:15 5 A. No, not at all.

01:39:16 6 Q. Why don't you agree with that?

01:39:18 7 A. Because my analyses of both of Mr. Weinstein's opinions
01:39:23 8 demonstrate that they're measuring the fraud prevention and
01:39:25 9 fraud detection elements; they're not measuring the claims
01:39:29 10 of the patents.

01:39:30 11 Q. So -- so the cost savings model, is that based on the
01:39:38 12 fraud prevention value, as well?

01:39:40 13 A. It's based upon the fraud prevention, that is titled
01:39:46 14 ATM measurement of the patented claims of fraud prevention.
01:39:49 15 So, again, it's not based upon a cost savings analysis.

01:39:52 16 Q. And -- and what is your understanding about whether the
01:40:02 17 fraud prevention -- fraud prevention features are in the
01:40:08 18 claims from Mr. Weinstein's testimony?

01:40:11 19 A. My understanding is that they're not, and I think on
01:40:14 20 testimony, he -- he confirmed that they're not.

01:40:17 21 Q. All right. Let's turn to your opinion that the measure
01:40:24 22 of damages in this case is -- is \$3.98 million.

01:40:29 23 All right. So before we go into the details of
01:40:32 24 your opinion, will you describe for us what your -- just a
01:40:36 25 high level overview of what your opinion is?

01:40:38 1 A. Sure. So, again, three things. The first is based
01:40:42 2 upon the calculation that I'll walk you through. The
01:40:46 3 damages I believe are 3.98 million. I believe Wells Fargo
01:40:50 4 could have used a non-infringing alternative that cost less
01:40:54 5 than that amount, which would essentially set a cap on the
01:40:58 6 royalty rate. And as we've heard, there are no licenses to
01:41:02 7 the patents in this suit.

01:41:04 8 Q. Did you conduct a hypothetical negotiation like
01:41:08 9 Mr. Weinstein did?

01:41:09 10 A. Yes, I did.

01:41:09 11 Q. And what do we have here on -- on this screen?

01:41:17 12 A. Just to summarize, again, the facts that -- that we
01:41:21 13 talked and that Mr. Weinstein, again, I think alluded to.
01:41:25 14 We're having this discussion in -- in June -- in July of
01:41:28 15 2018. The ground rules -- we both agree that the
01:41:34 16 patents -- for our purposes of evaluating damages, we have
01:41:37 17 to assume that the patents are valid and enforceable and
01:41:40 18 that both parties want to have an agreement.

01:41:42 19 We both -- these Georgia-Pacific factors, there's
01:41:46 20 15 of them. I put them into these four categories just
01:41:50 21 because I think they make more logical sense to evaluate.

01:41:54 22 Q. Mr. Gerardi, let me interrupt you right there. So --
01:41:57 23 so you've grouped the Georgia-Pacific factors into these
01:42:01 24 categories. So you've -- you've walked us through the --
01:42:03 25 through the ground rules, and you and Mr. Weinstein agree

01:42:05 1 on the ground rules, correct?

01:42:07 2 A. Yes, ma'am.

01:42:07 3 Q. All right. And so the first category you have is

01:42:09 4 licensing. So what are the licensing factors for the --

01:42:13 5 for the analysis that you performed?

01:42:14 6 A. Well, again, you look to see if there are -- there are

01:42:17 7 licenses for the patents-in-suit. You'd look to see if

01:42:22 8 there are established licenses out there. You look to see

01:42:26 9 the duration of those licenses and those types of things.

01:42:29 10 Q. And what is the second category you have here?

01:42:31 11 A. Nature and use. So, again, you're looking at the

01:42:33 12 utility and the advantages of the patents. What are the

01:42:37 13 claims actually saying that they provide in the -- in the

01:42:40 14 patent. And then the benefits of those use, the nature and

01:42:46 15 extent of those -- of those users.

01:42:47 16 Q. The next category that you've broken out is market

01:42:52 17 competition. What do you mean by that?

01:42:53 18 A. Again, who are the parties, what's the nature of the

01:42:56 19 competition or the nature of the relationship between the

01:42:57 20 parties, and, again, the -- their willingness to enter into

01:43:02 21 these negotiations.

01:43:02 22 Q. And the fourth category you have is commercial success.

01:43:06 23 What do you mean by that?

01:43:08 24 A. What's the economic -- what's the success of a product,

01:43:12 25 what's the profits of the product, and then, most

01:43:15 1 importantly, what's the apportioned profits. So what are
01:43:18 2 the -- what's the portion of profits that's directly
01:43:21 3 attributable to the claims of the patent as opposed to the
01:43:24 4 other intellectual property or other technology that's used
01:43:27 5 to sell and deliver that product.

01:43:30 6 Q. Did you use all four of these categories in performing
01:43:34 7 your analysis in this case?

01:43:35 8 A. Yes, I considered all of them.

01:43:38 9 Q. Okay. And how did you go about determining what the
01:43:45 10 compensation would be under your analysis?

01:43:47 11 A. Well, I think there's -- I'll say valuation and three
01:43:51 12 easy steps. The first thing --

01:43:53 13 Q. All right. What is the first step?

01:43:55 14 A. We're talking about MRDC, so -- so -- so check
01:43:59 15 account -- checking information, getting checks into the
01:44:02 16 system. So I started with the profits from the checking
01:44:05 17 account customers who use mobile banking.

01:44:08 18 Q. And then what was the second step?

01:44:09 19 A. The second step was to determine how much of that
01:44:13 20 overall profit comes from mobile banking.

01:44:15 21 Q. And then what's the third step?

01:44:18 22 A. How much of the general mobile banking profit comes
01:44:23 23 from this specific area called MRDC, mobile remote deposit
01:44:26 24 capture.

01:44:26 25 Q. All right. So I want to walk through each one of these

01:44:31 1 steps. So let's go to the first step. And tell us what it
01:44:39 2 is that you're trying to determine in the first step.

01:44:40 3 A. Again, what's the size of the pile we're going to be
01:44:44 4 talking about. So you're looking at the profitability or
01:44:46 5 the profits to Wells Fargo from all the customers who --
01:44:53 6 the MRDC customers, and, again, their checking account
01:44:57 7 profits -- the checking profits.

01:44:59 8 Q. Why did you select that?

01:45:00 9 A. Again, because MRDC is -- is mobile remote deposit
01:45:03 10 capture, you're getting checks into the system somehow. So
01:45:07 11 I'm looking at the profits for checking account customers.

01:45:09 12 Q. All right. And then what is the next step that you
01:45:12 13 did?

01:45:12 14 A. So, remember, mobile banking, which is more than
01:45:19 15 MRDC -- the mobile banking is one component of -- of
01:45:23 16 customers that deal with the bank, so I wanted to separate
01:45:24 17 out the mobile banking side of the pie from the other
01:45:30 18 banking activities, such as teller and ATM activities and
01:45:35 19 things that have nothing to do with mobile banking.

01:45:37 20 Q. All right. So just so I'm clear, mobile deposit is
01:45:41 21 part of mobile banking; is that -- do I have that right?

01:45:44 22 A. Correct.

01:45:44 23 Q. Okay. And then there's other banking activity that
01:45:46 24 occurs at the teller and at the ATM that is not related to
01:45:51 25 mobile deposit?

01:45:51 1 A. Correct.

01:45:52 2 Q. All right. And so that was the second step, to
01:45:55 3 separate out mobile banking from non-mobile banking?

01:46:00 4 A. That's correct.

01:46:01 5 Q. All right. And so what was the third step?

01:46:03 6 A. The third step is to look at mobile banking and seeing
01:46:06 7 all the activities that go within that platform, how much
01:46:11 8 of that has to do with MRDC.

01:46:13 9 Q. So just so I have it clear, are you saying that there's
01:46:16 10 more than just mobile deposit that happens in mobile
01:46:19 11 banking at Wells Fargo?

01:46:20 12 A. Absolutely.

01:46:21 13 Q. Okay. Can you give us some examples of what that
01:46:23 14 includes?

01:46:23 15 A. So in mobile banking, you can go on and you can check
01:46:26 16 your balances, you can pay bills, you could transfer money,
01:46:30 17 you could send some texts, you could do a lot of different
01:46:36 18 things on there that have nothing to do with mobile remote
01:46:37 19 deposit capture.

01:46:37 20 Q. Okay. Does the analysis end here?

01:46:40 21 A. No, ma'am.

01:46:41 22 Q. Okay. Well, then, what's the next step?

01:46:45 23 A. So MRDC -- and I think Mr. Hecht described this
01:46:48 24 yesterday. There's a lot of other things that go in to
01:46:51 25 process that item. So once the image is taken and

01:46:55 1 introduced into the system, there's a lot of other things
01:46:57 2 that happen.

01:46:58 3 The last step that I performed is to say how much
01:47:01 4 of those steps -- how much of that profit was coming from
01:47:03 5 the patents as opposed to all the other things that were
01:47:06 6 going on within that MRDC processing system.

01:47:11 7 Q. And just so I'm clear, when you refer to MRDC, what
01:47:14 8 does that stand for?

01:47:15 9 A. Mobile remote deposit capture.

01:47:17 10 Q. And does that refer to Wells Fargo's Mobile Deposit
01:47:20 11 product?

01:47:20 12 A. Yes, ma'am.

01:47:21 13 Q. Okay. And -- and why is it important as part of your
01:47:28 14 analysis to evaluate or value the patents in this case?

01:47:32 15 A. Again, the job of my -- of experts is to evaluate
01:47:38 16 what's the contribution of the patents-in-suit and the
01:47:40 17 claims that are in the patents as opposed to all the other
01:47:43 18 things that are going into a product.

01:47:45 19 And so you need to be able to apportion out or
01:47:47 20 segment out the contributions in the patented claims. So
01:47:51 21 what's at issue in this case specifically.

01:47:53 22 Q. What is your understanding of what it is that USAA
01:47:57 23 is -- is entitled to be compensated for, in the event this
01:48:01 24 jury finds that the patents are infringed and valid?

01:48:05 25 A. Only the contributions provided to those patents to the

01:48:08 1 overall system.

01:48:10 2 Q. All right. So let's look at the numbers that you
01:48:14 3 identified that go with each one of these steps.

01:48:17 4 All right. So -- so you've got an illustration
01:48:22 5 here on the screen. And so where -- where should we start
01:48:27 6 in understanding where you started your analysis?

01:48:29 7 A. So this example is for the full year of 2018. Now, we
01:48:35 8 talked about earlier, the damages began in August of 2018.
01:48:38 9 So later I'm going to prorate the numbers.

01:48:40 10 Q. What do you -- what do you mean, prorate the numbers?

01:48:43 11 A. Take the full 2018 number and prorate it down to the
01:48:48 12 period August 17 through December 31st.

01:48:51 13 Q. All right. So what do we see here on the screen as far
01:48:53 14 as the full year of 2018 before you've divided out January
01:48:57 15 through --

01:48:58 16 A. So Wells Fargo produced in this case the number of
01:49:01 17 active customers -- they call it active 30-day customers --
01:49:06 18 who use MRDC, and that was over a period of months. I
01:49:10 19 averaged that number. So you have 2.8 million customers
01:49:13 20 essentially during 2018 who are MRDC customers, who are
01:49:18 21 actively using the MRDC system.

01:49:20 22 THE COURT: Counsel, approach the bench, please.
01:49:23 23 (Bench conference.)

01:49:31 24 THE COURT: Ms. Williams, is it my understanding
01:49:33 25 that after Mr. Gerardi steps down, that the Defendant has

01:49:36 1 something like 13 minutes of deposition testimony to play?

01:49:39 2 MS. WILLIAMS: Yes, Your Honor, to the extent that
01:49:40 3 we have time, and it might be a good time for me to ask --

01:49:44 4 THE COURT: You have 30 minutes now. That's --

01:49:44 5 MS. WILLIAMS: Yes, Your Honor.

01:49:46 6 THE COURT: -- why you're up here, so I can make
01:49:49 7 sure you know.

01:49:50 8 MS. WILLIAMS: Thank you. I appreciate that.

01:49:50 9 THE COURT: And if you need to take that into
01:49:52 10 account.

01:49:53 11 You have plenty of time, Mr. Sheasby.

01:49:59 12 MR. SHEASBY: I'm going to give some back.

01:49:59 13 THE COURT: That will be welcome.

01:49:59 14 All right. Let's proceed.

01:50:01 15 MS. WILLIAMS: Yes. Thank you, Your Honor.

01:50:08 16 (Bench conference concluded.)

01:50:08 17 THE COURT: All right. Let's proceed.

01:50:08 18 MS. WILLIAMS: Thank you.

01:50:10 19 Q. (By Ms. Williams) All right. Mr. Gerardi, so you've
01:50:13 20 identified the MRDC customers, and then what did you do
01:50:15 21 next for this first step?

01:50:17 22 A. The second step was to identify the profits that --
01:50:21 23 that income that Wells Fargo receives from its checking
01:50:24 24 account customers.

01:50:25 25 Q. Why did you use that?

01:50:27 1 A. So, again, you want to understand the profitability
01:50:30 2 overall for those banking customers, and so using that
01:50:34 3 times the number of MRDC customers, I'm able to determine
01:50:37 4 on a pre-tax basis the -- that -- the size of the pie that
01:50:41 5 ultimately needs to be apportioned down.

01:50:43 6 And so multiplying those two together, I came up
01:50:48 7 with \$339.2 million of total profits for customers who use
01:50:55 8 banking activities -- mobile deposit customers who use
01:50:59 9 checking accounts at Wells Fargo.

01:51:00 10 Q. So why did you use checking accounts?

01:51:03 11 A. So, again, MRDC is having to do with depositing checks
01:51:10 12 into the banking system. I didn't look at the mortgages or
01:51:14 13 their loans or auto loans or anything like that because
01:51:18 14 that has no direct connection to the -- to the -- to the
01:51:21 15 MRDC activities we're talking about here.

01:51:23 16 Q. And after you identified the customers and identified
01:51:27 17 the pre-tax profits, did you -- what did your calculation
01:51:34 18 total?

01:51:34 19 A. \$339.2 million, again, for the full year of 2018.

01:51:39 20 Q. And what does that number represent?

01:51:40 21 A. Again, those are the total net income to the bank for
01:51:47 22 all of the MRDC customers who have checking account
01:51:48 23 activity.

01:51:48 24 Q. Okay. Did you end your analysis there?

01:51:52 25 A. No, ma'am.

01:51:52 1 Q. What was your next step?

01:51:53 2 A. So the next step was to say, okay, how much of that pie
01:51:57 3 are we going to break out into that thing we talked about,
01:52:02 4 which is mobile -- mobile banking.

01:52:04 5 Q. All right. And so did you -- does this slide here
01:52:12 6 illustrate how you did that calculation?

01:52:14 7 A. It does.

01:52:15 8 Q. Okay. Will you walk us through what we're seeing here
01:52:17 9 for your calculation?

01:52:18 10 A. Sure. So I call this my first apportionment factor.
01:52:22 11 So of the total pie, I want to figure out how much of it is
01:52:25 12 coming from mobile banking activities. And to do that, I
01:52:30 13 identified the mobile deposit and money movement
01:52:36 14 transactions, basically everything that's happening on your
01:52:38 15 mobile app. And I segmented that from the non-mobile
01:52:43 16 banking activity. So all the activity that's happening
01:52:46 17 with the teller transactions or ATM transactions or all the
01:52:49 18 things -- the paper activity that's going on.

01:52:51 19 And as you can see here, the mobile deposit and
01:52:56 20 money movement transactions, I'm at about 32.7 percent of
01:53:01 21 the total amount of activity in 2018.

01:53:02 22 And so I took that number and applied it to the
01:53:07 23 checking account profits we just mentioned, to get my first
01:53:11 24 apportionment factor.

01:53:12 25 Q. How did you go about determining the mobile deposit and

01:53:16 1 money movement transaction numbers that you -- that you
01:53:23 2 have here on the screen?

01:53:24 3 A. So, again, Wells Fargo produced to us activities, both
01:53:32 4 for the teller transactions, for the ATM transactions, and
01:53:35 5 all their mobile banking activities, and we aggregated that
01:53:39 6 information into spreadsheets and performed these various
01:53:42 7 calculations.

01:53:43 8 Q. And so the information that you relied on was Wells
01:53:46 9 Fargo's information?

01:53:47 10 A. Yes, ma'am.

01:53:47 11 Q. Okay. And so what did you do next -- actually let me
01:53:52 12 ask you this question. Let me back up.

01:53:54 13 When you applied the first apportionment factor,
01:53:57 14 what did you arrive at?

01:53:59 15 A. So I took that 32.27 percent that I just mentioned to
01:54:03 16 you, multiplied it by the 339 million, and that results --
01:54:09 17 profits from mobile banking of \$110.8 million
01:54:14 18 approximately. So that was my first step to kind of break
01:54:17 19 that pie apart.

01:54:18 20 Q. So your first step was to isolate the mobile banking
01:54:23 21 profits?

01:54:23 22 A. Yes, ma'am.

01:54:24 23 Q. Okay. And so I -- did you go on to the second
01:54:28 24 apportionment factor?

01:54:29 25 A. Yes.

01:54:29 1 Q. Okay. What was that?

01:54:30 2 A. So the next step is -- and we talked about this.

01:54:34 3 Mobile banking has a lot of activity that's going on. And
01:54:37 4 so if I look within the mobile banking platform, there is
01:54:41 5 these things called money movement counts.

01:54:44 6 And so if you look at the mobile banking platform,
01:54:48 7 there's things such as bill payments, M -- M2M transfers,
01:54:57 8 so you may be transferring money from your checking account
01:54:58 9 to your savings account or from your savings account to
01:55:01 10 your money market account or your savings account to
01:55:01 11 checking. So I segmented out all the money movement counts
01:55:06 12 that occurred within that -- the mobile banking platform.

01:55:09 13 Q. And let me just stop you right there. So this -- this
01:55:13 14 money movement with the M2M, the P2P, and the -- and the
01:55:21 15 bill payments, these kinds that are described here on the
01:55:25 16 screen as far as your second apportionment factor, those
01:55:29 17 don't involve depositing a check?

01:55:32 18 A. No, ma'am. What involves depositing a check is the --
01:55:36 19 is the number of checks scanned, which is right here.

01:55:37 20 Q. Okay. And so how did you go about excluding the money
01:55:40 21 movement accounts -- or isolating the mobile deposit
01:55:42 22 counts?

01:55:44 23 A. So, again, looking at all the activity that occurs
01:55:47 24 within the mobile banking platform, I looked at the total
01:55:51 25 number of -- of MRDC checks that were deposited, and that's

01:55:55 1 our number here, 80.6 million units, relative to all the
01:56:00 2 other things that were happening within the mobile banking
01:56:02 3 platform, and determined that that was 14.7 percent of the
01:56:05 4 total.

01:56:08 5 Q. Okay. And what did you -- how did you use the
01:56:11 6 14.7 percent?

01:56:13 7 A. So if we go back to the -- to the schedule we were
01:56:17 8 looking at previously, I took the \$110 million --
01:56:24 9 110.8 million that we were -- I had calculated for my first
01:56:28 10 apportionment factor, applied that 14.7 million --
01:56:31 11 14.7 percent attributed to mobile deposit, and came up with
01:56:37 12 \$16.3 million of profit that's attributable to -- to mobile
01:56:42 13 deposit as a whole.

01:56:43 14 And, again, there's more that goes on within
01:56:46 15 mobile deposit that's beyond the patents-in-suit, but
01:56:49 16 that's my next starting point.

01:56:50 17 Q. All right. Well, so let's go to your next starting
01:56:54 18 point, and so is this the third apportionment factor?

01:56:58 19 A. Yes, it is.

01:56:58 20 Q. Okay. So describe what we're seeing here on the screen
01:57:02 21 related to the third apportionment factor from DTX-230?

01:57:08 22 A. Sure. So you may recall Mr. Hecht had described that
01:57:11 23 front end platform -- or front end systems and the back end
01:57:14 24 systems. And if you can see here, probably it's a little
01:57:18 25 small, those are those four back end systems that Mr. Hecht

01:57:21 1 had talked about that had been in existence for many, many
01:57:26 2 years prior to the patents. In some cases decades prior.

01:57:29 3 And he mentions the funnel into funnel concept.
01:57:36 4 You have all these different sources of images coming into
01:57:39 5 the bank. One of those sources now is MRDC.

01:57:42 6 And so if I look at what was pre-existing with
01:57:46 7 those systems there, the back end system, and I look at the
01:57:49 8 introduction of this new MRDC element, I look at that,
01:57:53 9 there's five components to that, and so I looked at it on a
01:57:57 10 mathematical basis and said one-fifth, 20 percent.

01:58:03 11 Mr. Hecht also confirmed yesterday that the
01:58:05 12 majority of the activity occurs on that back end. About 80
01:58:08 13 percent of the activity to process an item occurs on that
01:58:11 14 back end. So, again, 20 percent corresponds to what I have
01:58:15 15 done in terms of my third apportionment factor.

01:58:17 16 Q. So let me be clear. The 20 percent contribution of the
01:58:25 17 patents as a percentage of mobile deposit, you relied on
01:58:29 18 Wells Fargo's own documents as well as your conversations
01:58:31 19 with Mr. Hecht?

01:58:32 20 A. Yes.

01:58:33 21 Q. And you heard Mr. Hecht's testimony yesterday. Was
01:58:37 22 there anything else in his testimony yesterday that -- that
01:58:40 23 confirms the 20 percent number to you?

01:58:44 24 A. Yes.

01:58:44 25 Q. What is that?

01:58:45 1 A. He mentions in terms of the dollar spend, the order of
01:58:49 2 magnitude that Wells Fargo has invested in those front end
01:58:52 3 and back end systems, that Wells Fargo has invested
01:58:56 4 significantly more in those back end systems, again, about
01:58:59 5 80 percent of the back end systems, as opposed to the
01:59:02 6 dollar spend on those front end systems.

01:59:04 7 Q. Mr. Gerardi, what is your conclusion regarding Wells
01:59:09 8 Fargo's 2018 profits attributable to the patents-in-suit?

01:59:13 9 A. Well, so, again, I mentioned previously, this is for
01:59:16 10 all of 2018. The damages in this case don't begin until
01:59:20 11 August 17th of this year. So I had to prorate these
01:59:24 12 numbers down.

01:59:26 13 And so August 17th through December 31st is 137
01:59:30 14 days, which, again, 37.5 percent of the total, so I
01:59:36 15 multiplied the 3.2 million by the 37.5 percent to say for
01:59:41 16 this year for the damages period, \$1.22 million are
01:59:47 17 attributable to the patents-in-suit in this case.

01:59:49 18 Q. And that -- that's for the partial year for 2018?

01:59:51 19 A. Correct.

01:59:52 20 Q. Okay. And then what about for 2019?

01:59:55 21 A. I performed the same analyses for 2019, and again I
02:00:01 22 estimated for 2020. So for 2019, the number would be \$2.7
02:00:07 23 million, and for 2020, for the first six days of this year,
02:00:12 24 it would be \$44,000.

02:00:13 25 Q. And so if we add all of these up together, what is your

02:00:16 1 opinion about the total profit attributable to the patents?

02:00:21 2 A. For the period August 27th, 2018, through January 6th,
02:00:26 3 2020, it would be \$3.98 million.

02:00:29 4 Q. And so in arriving at your -- and is this your opinion
02:00:32 5 about the damages in this case?

02:00:35 6 A. Yes, ma'am.

02:00:35 7 Q. Okay. And in arriving at this \$3.98 million damages
02:00:40 8 figure, in the event the jury finds that the patents are
02:00:43 9 infringed and not invalid, was there anything else that you
02:00:47 10 considered in arriving at this opinion?

02:00:49 11 A. Yes.

02:00:50 12 Q. What -- what was that?

02:00:52 13 A. It would be the non-infringing alternative that
02:00:55 14 Dr. Villasenor had discussed previously.

02:00:58 15 Q. Okay. And how does the non-infringing alternative that
02:01:02 16 Dr. Villasenor talked about earlier today impact your
02:01:04 17 opinion in this case?

02:01:05 18 A. So if you think about this hypothetical negotiation, if
02:01:10 19 there's an alternative out there that costs less to
02:01:14 20 implement than some other measure, that's going to set the
02:01:17 21 cap.

02:01:18 22 So, for example, if USAA is asking for, you know,
02:01:22 23 something here and your non-infringing alternative is
02:01:26 24 something less than that, you're not going to license --
02:01:29 25 you're not going to agree to a license for more than it

02:01:33 1 costs to implement that non-infringing alternative.

02:01:35 2 So what I looked at here is the \$3.98 million that
02:01:39 3 I came up with is the cap. That's the most, I believe,
02:01:41 4 that Wells Fargo will be willing to pay at the hypothetical
02:01:46 5 negotiation. Again, because that cap or that
02:01:48 6 non-infringing alternative that Dr. Villasenor identified
02:01:51 7 would be less than that amount.

02:01:56 8 Q. Mr. Gerardi, was there anything else that you
02:01:58 9 considered in arriving at your conclusion that Wells Fargo
02:02:01 10 would pay no more than \$3.98 million in a lump sum?

02:02:06 11 A. Well, again, that and the fact that USAA has not
02:02:09 12 licensed the patents -- has not received licenses to the
02:02:13 13 patents.

02:02:13 14 Q. All right. So based on your -- your review of the --
02:02:18 15 of the documents and the information and your
02:02:22 16 conversations, what is your conclusion in this case about
02:02:24 17 the damages Wells Fargo would pay should the jury determine
02:02:28 18 that the patents are infringed and -- and valid?

02:02:32 19 A. That a lump-sum license would be \$3.98 million for the
02:02:41 20 intellectual property for the claims of the patents at
02:02:43 21 issue.

02:02:43 22 Q. And what if the jury finds that the patents in this
02:02:45 23 case are not infringed, what is the -- what are the -- what
02:02:49 24 is the appropriate amount of damages in this case?

02:02:51 25 A. That would be zero dollars.

02:02:53 1 Q. And what if the jury finds that the patents in this
02:02:56 2 case are invalid, what is the appropriate amount of damages
02:03:00 3 in this case?

02:03:00 4 A. Zero dollars.

02:03:02 5 MS. WILLIAMS: Your Honor, may I have a moment to
02:03:04 6 confer with counsel?

02:03:06 7 THE COURT: You may.

02:03:16 8 MS. WILLIAMS: Your Honor, I pass the witness.

02:03:17 9 THE COURT: All right. Cross-examination by the
02:03:19 10 Plaintiff.

02:03:21 11 MR. SHEASBY: Your Honor, I'm going to have to
02:03:22 12 hand out binders.

02:03:25 13 THE COURT: Let's go ahead and do that then. If
02:03:31 14 you need some help, there are plenty of people at your
02:03:34 15 table.

02:04:27 16 Counsel, before we proceed with cross-examination,
02:04:29 17 go ahead and finish handing out what you need to, but
02:04:34 18 before we proceed with cross-examination, we're going to
02:04:36 19 take a short recess, and then we'll begin cross-examination
02:04:40 20 of this witness as soon as recess is complete.

02:04:40 21 Ladies and gentlemen of the jury, simply close
02:04:41 22 your notebooks and leave them there in your chairs, follow
02:04:45 23 all my instructions, and we'll have you back in here
02:04:47 24 shortly to continue. Don't discuss the case among
02:04:51 25 yourselves.

02:04:51 1 The jury is excused for recess.

02:04:53 2 COURT SECURITY OFFICER: All rise.

02:04:55 3 (Jury out.)

02:04:56 4 THE COURT: Counsel, just for your purposes, the

02:05:17 5 Court's timekeeping indicates the Plaintiff has a total of

02:05:23 6 two hours and 23 minutes remaining.

02:05:25 7 The Defendant has 15 minutes remaining.

02:05:27 8 The Court stands in recess.

02:05:29 9 COURT SECURITY OFFICER: All rise.

02:32:43 10 (Recess.)

02:32:48 11 (Jury out.)

02:32:49 12 COURT SECURITY OFFICER: All rise.

02:32:50 13 THE COURT: Please be seated.

02:34:52 14 Are you ready to proceed with cross-examination,

02:34:57 15 Mr. Sheasby?

02:34:58 16 MR. SHEASBY: Yes, Your Honor.

02:34:58 17 THE COURT: All right. You may go to the podium.

02:35:00 18 Let's bring in the jury, please, Ms. Denton.

02:35:04 19 COURT SECURITY OFFICER: All rise.

02:35:04 20 (Jury in.)

02:35:27 21 THE COURT: Please be seated.

02:35:28 22 All right. We'll proceed with cross-examination

02:35:33 23 of Mr. Gerardi by Plaintiff's counsel, Mr. Sheasby.

02:35:37 24 You may proceed.

02:35:37 25 CROSS-EXAMINATION

02:35:38 1 BY MR. SHEASBY:

02:35:38 2 Q. Good afternoon, Mr. Gerardi.

02:35:41 3 A. Good afternoon.

02:35:41 4 Q. We've met before.

02:35:43 5 A. Yes, we have.

02:35:45 6 Q. It's nice to see you again.

02:35:46 7 A. Thank you.

02:35:46 8 Q. Mr. Gerardi, when Apple introduced the iPhone, it was
02:35:58 9 disruptive, fair?

02:35:59 10 A. Generally speaking, I think that's a fair statement.

02:36:02 11 Q. And Apple is now one of the most valuable companies in
02:36:05 12 the world, fair?

02:36:06 13 A. Yes.

02:36:06 14 Q. When Google introduced its search engine, that was
02:36:13 15 disruptive, as well, correct?

02:36:17 16 A. It was popular. I just don't know where it was
02:36:21 17 relative to other search engines.

02:36:23 18 Q. You don't know if Google's search program was
02:36:26 19 disruptive, correct?

02:36:27 20 A. At the time. I know it is as of today.

02:36:30 21 Q. Today Google's search engine is disruptive, fair?

02:36:34 22 A. Fair.

02:36:35 23 Q. Google is also one of the most valuable companies in
02:36:38 24 the world, fair?

02:36:38 25 A. Fair.

02:36:39 1 Q. As an economist, one of the things you absolutely need
02:36:44 2 to do when valuing a technology is consider whether it's
02:36:50 3 disruptive, fair?

02:36:51 4 A. You value the technology and the components of the
02:36:59 5 technology and see how that plays into the overall product
02:37:02 6 itself.

02:37:02 7 Q. As an economist, we should consider whether a
02:37:06 8 technology is disruptive, correct?

02:37:09 9 A. When you say a technology, a technology could be one of
02:37:13 10 many pieces of technology that contribute to an overall
02:37:16 11 product.

02:37:17 12 Q. Can you answer the question as to whether an economist
02:37:20 13 should consider whether technology is disruptive?

02:37:22 14 A. And, again, when you say "the technology" -- what do
02:37:27 15 you mean when you say "the technology"?

02:37:29 16 MR. SHEASBY: Your Honor, I object,
02:37:31 17 non-responsive.

02:37:34 18 THE COURT: Restate the question.

02:37:36 19 Q. (By Mr. Sheasby) Mr. Saffici [sic], if a patented
02:37:40 20 technology --

02:37:41 21 THE COURT: This is Mr. Gerardi.

02:37:42 22 Q. (By Mr. Sheasby) Mr. Gerardi, if a patented technology
02:37:45 23 is disruptive, that's something an economist should
02:37:48 24 consider, fair?

02:37:50 25 A. In the context of valuation, yes, that's fair.

02:37:54 1 Q. Now, I noticed that in your presentation, you didn't
02:38:02 2 show the jury any documents from Wells Fargo, fair?

02:38:05 3 A. I showed extracts of documents that came from Wells
02:38:08 4 Fargo.

02:38:08 5 Q. You didn't show any actual documents from Wells Fargo,
02:38:11 6 correct?

02:38:11 7 A. That's fair.

02:38:14 8 Q. You didn't show any third-party analysis about mobile
02:38:19 9 remote deposit capture, correct?

02:38:19 10 A. Correct.

02:38:19 11 Q. And you didn't discuss the fact that --

02:38:24 12 MR. SHEASBY: Let's have Weinstein Demonstrative
02:38:30 13 4.15, please. Go back one slide. No, pull that down --
02:39:09 14 pull that down, Mr. Huynh. That's the wrong --

02:39:10 15 Your Honor, may I have a moment, please?

02:39:12 16 THE COURT: You may have a moment.

02:39:14 17 MR. SHEASBY: Thank you.

02:39:39 18 MS. WILLIAMS: Your Honor, may we approach?

02:39:41 19 THE COURT: You may approach.

02:39:43 20 (Bench conference.)

02:39:48 21 MS. WILLIAMS: Your Honor, I believe they just
02:39:50 22 showed a demonstrative from the first case, and we'd object
02:39:52 23 to that. I mean, that -- that this demonstrative has not
02:39:56 24 been shown in this case.

02:39:57 25 MR. SHEASBY: Yes. Yes, we completely agree. It

02:40:02 1 was absolutely a mistake, which is why I had him pull it
02:40:03 2 down immediately.

02:40:04 3 THE COURT: All right. And you haven't -- you
02:40:05 4 haven't asked any questions about it?

02:40:06 5 MR. SHEASBY: Absolutely not.

02:40:07 6 MS. WILLIAMS: We ask that the jury be instructed
02:40:11 7 to disregard what was just displayed on the screen.

02:40:14 8 THE COURT: I mean, we're talking about a second
02:40:16 9 or less that it was on the screen?

02:40:18 10 MS. WILLIAMS: Your Honor --

02:40:18 11 THE COURT: That's fine. I'll tell them to ignore
02:40:20 12 what they just saw or didn't see.

02:40:22 13 MS. WILLIAMS: Thank you, Your Honor.

02:40:23 14 THE COURT: All right. Let's proceed.

02:40:23 15 (Bench conference concluded.)

02:40:23 16 THE COURT: Ladies and gentlemen, there was a
02:40:24 17 slide that very, very momentarily flashed on the screen. I
02:40:28 18 don't know if you saw it or not. If you did see it, ignore
02:40:34 19 it. It shouldn't have been shown to you.

02:40:35 20 Let's proceed.

02:40:40 21 Q. (By Mr. Sheasby) Were you in the courtroom for
02:40:42 22 Mr. Weinstein's testimony?

02:40:47 23 A. Yes, I was.

02:40:48 24 Q. And he showed a demonstrative of -- from Celent,
02:41:00 25 correct?

02:41:00 1 A. Yes, I believe so.

02:41:02 2 Q. And Celent is an industry analytics company, correct?

02:41:07 3 A. I believe so.

02:41:07 4 Q. And Celent wrote an article about USAA's MRDC system,
02:41:12 5 correct?

02:41:12 6 A. I don't recall specifically what was on the screen.

02:41:14 7 Q. Well, why don't we pull that up. So this was
02:41:39 8 Mr. Weinstein's demonstrative, correct?

02:41:40 9 A. Yes, I believe it was.

02:41:41 10 Q. It's on USAA's mobile remote deposit capture
02:41:45 11 initiative, correct?

02:41:45 12 A. Yes, it is.

02:41:46 13 Q. It calls mobile RDC disruptive, correct?

02:41:52 14 A. That's what it states, yes.

02:41:54 15 Q. It calls it a compelling competitive advantage,
02:41:58 16 correct?

02:41:58 17 A. Yes, it does.

02:42:10 18 Q. You didn't engage at all with Mr. Weinstein's
02:42:16 19 presentation of independent third-party documentation

02:42:19 20 describing USAA's mobile remote deposit capture as

02:42:23 21 disruptive or bleeding edge or compelling competitive

02:42:29 22 advantage, you didn't discuss it at all in your direct
02:42:32 23 examination, fair?

02:42:33 24 A. That's fair.

02:42:33 25 Q. And so have you heard of the concept of an independent

02:42:41 1 third party?

02:42:42 2 A. Generally, yes.

02:42:48 3 Q. So, for example, although you're an expert not employed
02:42:52 4 by Wells Fargo, you've been paid a substantial amount of
02:42:56 5 money by Wells Fargo over the last couple of years, fair?

02:42:57 6 A. My firm has been paid for the services we provide,
02:43:01 7 that's fair.

02:43:01 8 Q. Your rate is \$750.00 an hour, correct?

02:43:03 9 A. 725.

02:43:04 10 Q. You had a team of technologists or you had a team of --
02:43:09 11 of junior folks working with you, correct?

02:43:10 12 A. Yes, that's fair.

02:43:11 13 Q. Over the entire time over the last couple of years
02:43:14 14 you've been working for Wells Fargo, your company has
02:43:18 15 billed hundreds of thousands of dollars to Wells Fargo,
02:43:21 16 correct?

02:43:21 17 A. On this matter, I would say approximately \$200,000.00,
02:43:24 18 that's fair.

02:43:24 19 Q. And can you tell me how much you've been paid by Wells
02:43:28 20 Fargo over the last three years, collectively?

02:43:31 21 MS. WILLIAMS: Objection, Your Honor. Can we
02:43:32 22 approach?

02:43:33 23 THE COURT: Approach the bench.

02:43:35 24 (Bench conference.)

02:43:40 25 MS. WILLIAMS: Mr. Sheasby's question is asking

02:43:42 1 him to get into the work that he did on an -- on the
02:43:45 2 Case 1, and that is improper.

02:43:49 3 THE COURT: I thought -- maybe I misheard, but I
02:43:51 4 thought the question was about how much money he'd been
02:43:53 5 paid for the work done.

02:43:55 6 MS. WILLIAMS: He -- The question was how much has
02:43:57 7 he been paid in the last three years, which would encompass
02:44:02 8 Case 1. And so that is highly inappropriate. If he --
02:44:04 9 he's asked the question about how much money he's been paid
02:44:07 10 in this case, and that's the extent to which he should be
02:44:10 11 asked.

02:44:11 12 THE COURT: If he has an ongoing relationship with
02:44:13 13 this client -- your client or your law firm, and he's been
02:44:15 14 paid sizeable amounts of money outside of this case by that
02:44:20 15 client or that law firm, that's still an appropriate area
02:44:24 16 of inquiry. He cannot open the door to prior litigation or
02:44:27 17 what -- what those other tasks for which he was paid might
02:44:31 18 have been.

02:44:31 19 MS. WILLIAMS: Yes, Your Honor, I understand that.
02:44:32 20 But I would like the Case 1 to be excluded from that.

02:44:36 21 THE COURT: Well, it's excluded because it's not
02:44:39 22 mentioned. There's no reason to mention it. But whether
02:44:42 23 it includes -- whatever the work he did prior to this case,
02:44:47 24 if it's for your firm or your client and it shows an
02:44:51 25 existing relationship, that's a fair indication of

02:44:56 1 potential for bias. And he's entitled to show that.

02:44:59 2 MS. WILLIAMS: Yes, Your Honor. But what I want
02:45:01 3 to be clear is that Mr. Sheasby must exclude from his
02:45:05 4 question anything that would elicit information about what
02:45:09 5 he's been paid for all of the USAA litigation because he
02:45:12 6 was our expert in our first case. And so --

02:45:15 7 THE COURT: I understand -- I understand that,
02:45:20 8 but...

02:45:21 9 Mr. Sheasby, you can ask a question that queries
02:45:26 10 the level of experience and relationship between this
02:45:31 11 witness and either the Winston & Strawn law firm or Wells
02:45:35 12 Fargo, without any mention of any particular work or cases
02:45:39 13 or litigation that may have predated this case.

02:45:43 14 MR. SHEASBY: Right. And to be --

02:45:45 15 THE COURT: But I'm not going to make you do that
02:45:47 16 and then somehow exercise out whatever was related to
02:45:49 17 Case 1 that the jury is not aware of, and they're not going
02:45:53 18 to be aware of.

02:45:54 19 MR. SHEASBY: And to be clear, I'm just going to
02:45:55 20 ask him what's the total amount of compensation he's
02:45:58 21 received of Wells Fargo over the last -- from Wells Fargo
02:45:59 22 over the last three years.

02:46:00 23 THE COURT: That's a fair question.

02:46:02 24 I'm going to overrule your objection.

02:46:04 25 MS. WILLIAMS: Yes, Your Honor.

02:46:05 1 THE COURT: All right.

02:46:06 2 (Bench conference concluded.)

02:46:09 3 THE COURT: Let's proceed.

02:46:12 4 The objection is overruled.

02:46:13 5 Q. (By Mr. Sheasby) Mr. Gerardi, what's the total amount
02:46:15 6 of compensation you've received from Wells Fargo over the
02:46:18 7 last four years? Just give me a number.

02:46:20 8 A. For clarification, do you mean me personally -- or the
02:46:25 9 firm?

02:46:26 10 Q. Your firm, sir.

02:46:27 11 A. I can't say specifically because I -- I moved firms
02:46:31 12 between these matters. So I would think my prior firm,
02:46:38 13 approximately \$350,000.00 or so. But, again, I don't have
02:46:42 14 anything more specific than that.

02:46:44 15 Q. So approximately \$600,000.00 all in? Would that seem
02:46:48 16 to be fair, sir?

02:46:50 17 A. No.

02:46:52 18 Q. You're saying your total compensation -- your company's
02:47:01 19 total compensation from Wells Fargo over the last three to
02:47:02 20 four years, including the company you were at previously
02:47:03 21 and the company you're at now, is approximately
02:47:06 22 \$350,000.00?

02:47:07 23 A. Approximately 350 to 400,000, approximately.

02:47:11 24 Q. And so it would be fair to say that someone who has
02:47:14 25 received -- or a company that's received \$400,000.00 from a

02:47:16 1 client is not truly an independent third party, fair?

02:47:19 2 A. I would disagree -- no, I'd disagree with that.

02:47:23 3 Q. Okay. But we know that someone who hasn't received any
02:47:28 4 money from Wells Fargo is Celent, correct? We can see that
02:47:32 5 on Slide 15 of the Wells -- of Mr. Weinstein's

02:47:36 6 demonstratives, correct? For example, Celent wasn't paid
02:47:43 7 \$400,000.00 by USAA to write that its MRDC technology is
02:47:45 8 disruptive in a compelling, competitive advantage, fair?

02:47:48 9 A. Sir, I have no idea how Celent prepared this and what
02:47:52 10 compensation they received, if anybody -- if anything for
02:47:55 11 that.

02:47:56 12 MR. SHEASBY: Okay. Let's go to Mr. Weinstein's
02:47:58 13 Slide 14.

02:48:00 14 Q. (By Mr. Sheasby) AdAge wasn't paid \$400,000.00 by
02:48:07 15 Wells Fargo to write that USAA represents the bleeding edge
02:48:11 16 of mobile banking technology, fair?

02:48:14 17 A. Again, sir, I have no -- no basis to say how -- how
02:48:16 18 AdAge received compensation and what it did or didn't do.

02:48:20 19 MR. SHEASBY: Let's go to Slide 16.

02:48:22 20 Q. (By Mr. Sheasby) And Apple was not paid \$400,000.00 by
02:48:29 21 USAA to announce that its mobile deposit application was
02:48:32 22 the most popular financial application on the iTunes store,
02:48:40 23 fair, App Store?

02:48:41 24 A. Sir, just for clarification, that was something that
02:48:43 25 was reported in the San Francisco Business Times.

02:48:45 1 Q. Do you dispute that USAA's mobile deposit application
02:48:49 2 was Apple's most popular financial app in August of 2009?

02:48:54 3 A. No, I don't.

02:48:55 4 Q. Did Apple -- did USAA pay Apple \$400,000.00 to reach
02:49:00 5 that rank?

02:49:01 6 A. I have no basis to say one way or the other.

02:49:04 7 Q. Okay. Now, we also know about another independent
02:49:09 8 third party who's considered issues in this case, and

02:49:13 9 that's the Patent Office, correct? You were here for

02:49:16 10 Mr. Saffici's examination, correct?

02:49:17 11 A. Yes, I was.

02:49:18 12 Q. And we know that two separate patent examiners analyzed
02:49:25 13 the claims at issue in this case, and granted them, fair?

02:49:28 14 A. Granted them in terms of the patents?

02:49:32 15 Q. Yes.

02:49:33 16 A. That's fair.

02:49:34 17 Q. And you testified that when you perform a damages
02:49:42 18 analysis in this case, you have to analyze what the scope
02:49:46 19 of the patents are, fair? Scope of the claims are?

02:49:49 20 A. That's fair.

02:49:50 21 Q. It's a crucial element of the case, correct?

02:49:53 22 A. Yes.

02:49:54 23 Q. It's the scope of the claims that defines what's at
02:49:57 24 issue in this case, correct?

02:49:58 25 A. Yes, that's fair.

02:49:59 1 Q. But you don't know what's covered by the claims of the
02:50:07 2 patents-in-suit, correct? It's a technical issue?

02:50:13 3 A. It's a technical issue, I understand that.

02:50:16 4 Q. Sir, and you don't know what the -- what's covered by
02:50:20 5 the claims of the patents-in-suit, fair?

02:50:21 6 A. I have a general understanding.

02:50:23 7 MR. SHEASBY: Can we turn to Tab 1? Which is your
02:50:30 8 deposition at Page 43, Lines 21 through 23.

02:50:35 9 A. 43, I'm sorry, what?

02:50:39 10 Q. Page 43, Lines 21 through 23.

02:50:51 11 A. And the question, please?

02:50:53 12 Q. You personally don't know what's covered by the claims
02:50:55 13 of the patents-in-suit, correct?

02:50:59 14 A. Again, I have a general understanding.

02:51:03 15 MR. SHEASBY: Your Honor, may I now publish the
02:51:06 16 deposition testimony to the jury?

02:51:08 17 THE COURT: You may.

02:51:09 18 MR. SHEASBY: Let's pull up Tab 1, Gerardi 2 depo,
02:51:19 19 Page 43, Lines 21 through 23.

02:51:28 20 THE COURT: And, Mr. Sheasby, you don't need to
02:51:29 21 ask me each time you impeach a witness. If you complete
02:51:32 22 the impeachment process, you're entitled to show the prior
02:51:35 23 statement.

02:51:36 24 MR. SHEASBY: Thank you, Your Honor.

02:51:42 25 THE TECHNICIAN: 43?

02:51:44 1 MR. SHEASBY: Gerardi 2 deposition, Page 43, Lines
02:51:47 2 21 through 23.

02:51:49 3 MS. WILLIAMS: Your Honor, under the rule of
02:51:51 4 completion -- of optional completeness, may we also have
02:51:54 5 Lines 16 through 20 shown?

02:51:57 6 MR. SHEASBY: I'm happy to have that shown, Your
02:51:59 7 Honor.

02:51:59 8 THE COURT: All right. Then we'll do it that way.

02:52:05 9 Q. (By Mr. Sheasby) This is a deposition I took of you,
02:52:08 10 correct?

02:52:08 11 A. Yes.

02:52:09 12 Q. Question: Did you have an understanding of what's
02:52:12 13 claimed by the patents-in-suit when you performed your
02:52:15 14 apportionment analysis?

02:52:16 15 Answer: I've had what's listed -- I had what's
02:52:19 16 listed in my report, generally speaking.

02:52:22 17 Question: Do you know what's covered by the
02:52:23 18 claims of the patents-in-suit?

02:52:24 19 Answer: Again, I think that's a technical matter.

02:52:28 20 That was the testimony you gave under oath,
02:52:31 21 correct, sir?

02:52:31 22 A. On those lines, that's correct.

02:52:34 23 MR. SHEASBY: Let's take that down.

02:52:36 24 MS. WILLIAMS: Your Honor, objection, that was --
02:52:39 25 that was improper impeachment. That is totally consistent

02:52:45 1 with what Mr. Gerardi testified to, and we have not
02:52:48 2 shown -- and Mr. -- excuse me, counsel for USAA has not
02:52:53 3 shown otherwise.

02:52:54 4 THE COURT: You may revisit the matter on
02:52:57 5 redirect. We're going to go forward at this point.

02:52:59 6 MS. WILLIAMS: Thank you, Your Honor.

02:53:00 7 Q. (By Mr. Sheasby) Now, the reality is that the
02:53:09 8 patents-in-suit are broad, correct?

02:53:13 9 A. From my economic perspective, that's my general
02:53:16 10 understanding, yes.

02:53:16 11 Q. The patents-in-suit claim remote deposit capture
02:53:24 12 aligned for the capture of check images using scanners and
02:53:28 13 digital cameras connected to a general purpose computer.
02:53:30 14 They do not just claim one particular implementation,
02:53:33 15 correct?

02:53:33 16 A. Again, to my general understanding.

02:53:39 17 Q. And you heard Mr. Saffici testify in his direct -- his
02:53:45 18 cross-examination that the claims of the patents-in-suit
02:53:54 19 cover MRDC, correct?

02:53:55 20 A. A specific form of MRDC, yes.

02:53:59 21 Q. You think he testified that they only covered a
02:54:03 22 specific form of MRDC?

02:54:04 23 A. Yes, they cover MRDC, yes, that's fair.

02:54:08 24 Q. The claims cover MRDC generally, correct, sir?

02:54:13 25 A. Yes.

02:54:14 1 Q. And so when the jury values these patents, the jury
02:54:20 2 needs to understand that these patents cover MRDC
02:54:23 3 generally, correct?

02:54:24 4 A. That's fair.

02:54:26 5 Q. They don't just cover some small fraud technique, fair?

02:54:30 6 A. I don't -- I disagree with that.

02:54:57 7 Q. Now, let's turn to Tab 40 in your binder.

02:55:17 8 A. Okay.

02:55:18 9 Q. So Tab 40 in your binder is DTX-230?

02:55:22 10 MR. SHEASBY: And let's put that up on the screen,
02:55:24 11 Mr. Huynh.

02:55:24 12 Q. (By Mr. Sheasby) And let's turn to Page 9 of that
02:55:34 13 document.

02:55:37 14 A. Okay.

02:55:40 15 MR. SHEASBY: Go to Page 10, go one more page up,
02:55:44 16 Mr. Huynh. Yes, let's pull that up. So if you circle the
02:55:49 17 middle section, which is MRDC proposed concept, Mr. Huynh.

02:56:00 18 Q. (By Mr. Sheasby) So what you told the ladies and
02:56:02 19 gentlemen of the jury is that -- that these four boxes
02:56:15 20 are -- on the back end are non-infringing, correct?

02:56:18 21 A. I said they were on the back end and they were in
02:56:23 22 existence for a period of time, well before the
02:56:28 23 patents-in-suit.

02:56:28 24 Q. Well, at your deposition, you told me they were
02:56:31 25 non-infringing, correct?

02:56:32 1 A. I may have, but what I was -- what I -- okay. I may
02:56:36 2 have.

02:56:36 3 Q. Well, why don't we turn to Tab 1, which is, again, your
02:56:41 4 deposition, and why don't you look at -- actually let's do
02:56:54 5 it this way.

02:56:54 6 Did you investigate whether these four boxes that
02:56:57 7 you removed from your valuation analysis are covered by the
02:57:00 8 claims of the patents-in-suit?

02:57:04 9 A. Yes.

02:57:10 10 Q. And you testified that Mr. Saffici told you they were
02:57:13 11 non-infringing, correct, these four in the back, correct?

02:57:21 12 A. I may have at my deposition.

02:57:23 13 Q. Why don't we look at Page 38, 2 through 10 of your
02:57:27 14 deposition. You can look at that right now to refresh your
02:57:29 15 recollection, sir.

02:57:35 16 A. I'm sorry, the line numbers, please?

02:57:37 17 Q. 38, Lines 2 through 10.

02:57:48 18 You told me at your deposition that you excluded
02:57:52 19 the 80 percent of the value of MRDC because those blocks
02:58:00 20 were not covered by the patents, correct?

02:58:06 21 A. I stated that -- that those items had been around for a
02:58:11 22 significant period of time before the patents had issued.

02:58:14 23 Q. Let's pull up your deposition testimony at 38, Lines 2
02:58:18 24 through 10.

02:58:19 25 MS. WILLIAMS: Objection, Your Honor. The witness

02:58:21 1 has not testified inconsistently with his deposition. It
02:58:26 2 would be improper to show that.

02:58:27 3 MR. SHEASBY: Your Honor, I believe it is an
02:58:29 4 inconsistent statement.

02:58:30 5 THE COURT: It doesn't strike me as being
02:58:36 6 inconsistent, Mr. Sheasby. It may be a slight variation on
02:58:39 7 the same thing, but it's not completely inconsistent.

02:58:43 8 MR. SHEASBY: Okay.

02:58:44 9 Q. (By Mr. Sheasby) Mr. Saffici --

02:58:45 10 THE COURT: I'll sustain.

02:58:47 11 Q. (By Mr. Sheasby) -- claim -- you claim that
02:58:50 12 Mr. Saffici told you those four boxes in the back were not
02:58:53 13 infringing and not covered by the claims, correct?

02:58:59 14 A. I never stated that he -- he said that they were
02:59:02 15 non-infringing, in those lines that you're referring to. I
02:59:05 16 stated that he told me that those items were -- those
02:59:08 17 components were around for a significant period of time.

02:59:11 18 Q. And you're looking at Column 38, Lines 2 through 10 of
02:59:15 19 your deposition, sir?

02:59:15 20 A. I was extending down to Line 15, too, I apologize. If
02:59:28 21 I looked through Line 10, that's correct.

02:59:31 22 Q. So to be clear, in your deposition in sworn testimony
02:59:35 23 under oath, you told me that Mr. Saffici told you that this
02:59:42 24 80 percent on the back end was not covered by the claims of
02:59:46 25 the patent, correct?

02:59:47 1 MS. WILLIAMS: Objection, Your Honor. It
02:59:49 2 mischaracterizes the deposition testimony and fails to
02:59:51 3 include what is continuing on to Page 38. He's completely
02:59:54 4 taking this witness's testimony out of context in front of
02:59:57 5 the jury.

02:59:58 6 THE COURT: He's entitled to ask the question he's
03:00:01 7 asked, Ms. Williams. Overruled. You're entitled to
03:00:09 8 address it later.

03:00:11 9 A. The question again, please, I'm sorry.

03:00:11 10 Q. (By Mr. Sheasby) Mr. Saffici -- you told me at your
03:00:13 11 deposition, sworn to under oath, that Mr. Saffici told you
03:00:14 12 that 80 percent of those four or five boxes in the back
03:00:17 13 were non-infringing, correct? That's what you testified to
03:00:20 14 under oath?

03:00:21 15 A. For the lines you've just given me, that's correct.

03:00:25 16 Q. That's what you said under oath, correct?

03:00:27 17 A. For the lines that you have given me, that's correct.

03:00:30 18 Q. The reality is that Mr. Saffici was not involved in
03:00:32 19 this infringement case at all, correct?

03:00:34 20 A. That's correct.

03:00:34 21 Q. It would have been impossible for Mr. Saffici to have
03:00:37 22 told you that those black boxes were not infringing,
03:00:46 23 correct?

03:00:46 24 THE COURT: Counsel, approach the bench.

03:00:54 25 Mr. Melsheimer, join us up here.

03:00:56 1 (Bench conference.)

03:00:59 2 THE COURT: I can hear you telling Ms. Williams
03:01:06 3 what to ask. If you all are going to communicate, do it in
03:01:09 4 a way that's silent, pass notes, but I'm hearing the two of
03:01:13 5 you -- or I'm hearing you talk to her.

03:01:15 6 MR. MELSHEIMER: I apologize.

03:01:16 7 THE COURT: And if I can hear it, the jury can
03:01:19 8 hear it, so that needs to stop.

03:01:20 9 MR. MELSHEIMER: I understand.

03:01:21 10 MS. WILLIAMS: Your Honor, while we're here, may I
03:01:23 11 object to this line of questioning. He is taking --
03:01:25 12 Mr. Sheasby is taking the witness's testimony completely
03:01:27 13 out of context and asking him questions. In the very next
03:01:32 14 line he says Mr. Saffici did not provide -- did not provide
03:01:34 15 an infringement report. He relied on Dr. Villasenor. I
03:01:38 16 mean, this is categorically --

03:01:39 17 THE COURT: Ms. Williams -- Ms. Williams, you can
03:01:41 18 address it on redirect.

03:01:42 19 MS. WILLIAMS: Yes, Your Honor.

03:01:43 20 THE COURT: And if you do it effectively, I'm sure
03:01:46 21 it will have a positive effect for your side of the case.
03:01:48 22 But standing up and making these narrative objections about
03:01:52 23 this is out of context and it does this, this -- those are
03:01:56 24 not objections. That's why I said in front of the jury
03:01:59 25 last time he was entitled to ask the question. Your

03:02:01 1 objections are mini speeches in front of the jury, and they
03:02:06 2 shouldn't be that. If you've got a legal basis to make an
03:02:09 3 objection, raise the legal basis and I'll address it.

03:02:12 4 MS. WILLIAMS: Yes, Your Honor.

03:02:13 5 THE COURT: But right now, I'm overruling this
03:02:14 6 line of objections, and I'm telling you the appropriate way
03:02:17 7 is for you to take it back up. If you think he's taking it
03:02:21 8 out of context, revisit it on redirect.

03:02:24 9 MS. WILLIAMS: Yes, Your Honor.

03:02:25 10 THE COURT: All right. Let's proceed.

03:02:26 11 (Bench conference concluded.)

03:02:30 12 THE COURT: Let's proceed.

03:02:32 13 Q. (By Mr. Sheasby) Mr. Saffici didn't perform any
03:02:38 14 infringement analysis, correct?

03:02:39 15 A. That's correct.

03:02:39 16 Q. Now, you were here for Dr. Villasenor's testimony,
03:02:45 17 correct?

03:02:45 18 A. Correct.

03:02:45 19 Q. Dr. Villasenor didn't testify to the ladies and
03:02:48 20 gentlemen of the jury that the four things that you removed
03:02:51 21 from the MRDC system were non-infringing, correct?

03:02:54 22 A. That's correct.

03:02:56 23 Q. So we know that Mr. Saffici couldn't have told you that
03:03:01 24 what you said was non-infringing was non-infringing,
03:03:08 25 correct?

03:03:08 1 A. Repeat your question, please.

03:03:11 2 Q. You told me under oath that Mr. Saffici told you these
03:03:16 3 four things were non-infringing, correct?

03:03:23 4 A. On those lines, that's correct.

03:03:24 5 Q. Mr. Saffici has no infringement opinion whatsoever,
03:03:33 6 correct?

03:03:33 7 A. That's correct.

03:03:33 8 Q. Dr. Villasenor has provided no opinion on this question
03:03:36 9 either, correct?

03:03:37 10 A. That's correct.

03:03:37 11 Q. So where have you got that answer from that these are
03:03:42 12 non-infringing? It could never have been from Mr. Saffici
03:03:45 13 or Dr. Villasenor, correct?

03:03:49 14 A. I can't agree with that completely. May I explain?

03:03:55 15 Q. Let me ask it another way. In your report, you don't
03:03:59 16 cite to any footnote in which Dr. Villasenor told you that
03:04:02 17 those four black boxes are non-infringing, correct?

03:04:07 18 A. That's correct.

03:04:07 19 Q. In your report, you don't cite to any footnote that
03:04:11 20 says Mr. Saffici told you those are non-infringing,
03:04:14 21 correct?

03:04:14 22 A. That's correct.

03:04:14 23 Q. And we agree that what words are used in depositions
03:04:17 24 under oath matter, correct?

03:04:19 25 A. That's fair.

03:04:20 1 Q. And in your testimony earlier, you told me that

03:04:23 2 Mr. Saffici told you they were non-infringing, fair?

03:04:26 3 A. On the lines that you referenced, that's correct.

03:04:28 4 Q. And you had an opportunity to correct your deposition,
03:04:32 5 correct?

03:04:32 6 A. Yes.

03:04:32 7 Q. And you understand this is an incredibly important case
03:04:34 8 for USAA, correct?

03:04:35 9 A. Yes, I do.

03:04:36 10 Q. And you understand that USAA views this technology as
03:04:40 11 incredibly important, correct?

03:04:41 12 A. USAA what? I can't hear you.

03:04:43 13 Q. Views this technology as incredibly important, correct?

03:04:49 14 A. Yes, they do.

03:04:49 15 Q. And you understand why USAA believes it's important to
03:04:53 16 be precise in testimony under oath, fair?

03:04:55 17 A. Yes.

03:04:56 18 Q. Now, you also talk about non-infringing alternatives,
03:05:06 19 correct?

03:05:06 20 A. I do.

03:05:07 21 Q. And I think you said to the jury that non-infringing
03:05:15 22 alternatives represent a cap on damages, fair?

03:05:18 23 A. I said they could be considered a cap in part of the
03:05:22 24 hypothetical negotiation, that's fair.

03:05:23 25 Q. So if you can turn to Paragraph 90 -- 91 of your expert

03:05:27 1 report, which is in Tab 3.

03:05:45 2 A. I see it.

03:05:46 3 Q. Now, in Tab 3, you list a bunch of bullet points of
03:05:50 4 elements that you believe would reflect
03:05:53 5 commercially viable -- or non-infringing alternatives,
03:05:57 6 correct?

03:05:57 7 A. Yes, I do.

03:06:03 8 Q. And it includes the non-infringing alternative that
03:06:11 9 Dr. Villasenor discussed, correct?

03:06:12 10 A. That's fair.

03:06:14 11 Q. Now, all the alternative -- what you describe as
03:06:18 12 non-infringing alternatives that you list in your report,
03:06:21 13 you didn't speak to any independent expert as to whether
03:06:25 14 any of those are acceptable in the market, correct?

03:06:27 15 A. That's fair.

03:06:30 16 MR. SHEASBY: Your Honor, may I approach briefly
03:06:35 17 to seek guidance?

03:06:36 18 THE COURT: Approach the bench?

03:06:38 19 MR. SHEASBY: Yes, sir.

03:06:39 20 THE COURT: Approach the bench, counsel.

03:06:45 21 (Bench conference.)

03:06:46 22 THE COURT: What is it?

03:06:47 23 MR. SHEASBY: In order to be a viable
03:06:49 24 non-infringing alternative, you had to have analyzed
03:06:51 25 whether it was covered by any other patents. Mr. Gerardi

03:06:53 1 has not done that analysis.

03:06:55 2 In particular, he hasn't analyzed whether it's
03:06:58 3 covered by any other USAA patents. It's relevant from a
03:07:01 4 legal damages standpoint, but it's complicated from your
03:07:04 5 MIL standpoint. And I just wanted to get guidance if -- if
03:07:08 6 Your Honor -- I don't know what to do. I feel like I have
03:07:12 7 to make my legal case because we are going to JMOL --

03:07:15 8 THE COURT: Tell me what you want to ask the
03:07:17 9 witness and what you want -- and what you want leave from
03:07:19 10 the existing orders in limine to ask the witness.

03:07:22 11 MR. SHEASBY: Mr. Gerardi, you didn't analyze
03:07:24 12 whether your non-infringing alternative would infringe
03:07:26 13 other USAA patents?

03:07:30 14 THE COURT: Does Defendant object to that?

03:07:32 15 MS. WILLIAMS: Yes, Your Honor, we do object to
03:07:33 16 that.

03:07:33 17 Number one, it violates the MIL.

03:07:35 18 Number two, the analysis here does not -- does not
03:07:39 19 depend on -- on that question.

03:07:41 20 Mr. Sheasby can get the information that he needs
03:07:44 21 about the non-infringing alternative without talking about
03:07:47 22 the first case and any other patents that USAA has.

03:07:50 23 MR. SHEASBY: This is a valid concern. Here's the
03:07:53 24 issue. I believe if I'm able to establish that he
03:07:56 25 doesn't -- hasn't done an analysis as to whether it

03:07:58 1 infringes other USAA patents, they're not going to be able
03:08:00 2 to discuss the NIA in closing because a requirement of an
03:08:04 3 NIA is that it not infringe any other patents. And so
03:08:09 4 that's -- so that's the issue I'm struggling with.

03:08:12 5 MS. WILLIAMS: Your Honor, that is not a
03:08:14 6 requirement of the non-infringing alternative analysis.

03:08:16 7 THE COURT: All right. Let's get back to the
03:08:17 8 issue.

03:08:18 9 At this point, given the context of where we are,
03:08:21 10 I am not persuaded that I should grant the Plaintiff leave
03:08:24 11 to deviate from the MIL orders that are in place.

03:08:28 12 MR. SHEASBY: I understand, Your Honor.

03:08:30 13 THE COURT: All right.

03:08:31 14 MR. SHEASBY: Thank you, Your Honor.

03:08:31 15 THE COURT: While you two are here, how much
03:08:33 16 longer do you expect your cross to go, Mr. Sheasby?

03:08:36 17 MR. SHEASBY: 30 minutes.

03:08:37 18 THE COURT: All right. And are you going to have
03:08:39 19 redirect, Ms. Williams?

03:08:40 20 MS. WILLIAMS: Yes, Your Honor, but it will be
03:08:42 21 very brief.

03:08:48 22 THE COURT: All right. Let's proceed.

03:08:48 23 (Bench conference concluded.)

03:08:51 24 THE COURT: Let's proceed, counsel.

03:08:54 25 Q. (By Mr. Sheasby) And Dr. Villasenor didn't investigate

03:08:56 1 whether any of these non-infringing alternatives you

03:09:01 2 identify are commercially viable, correct?

03:09:04 3 A. I believe that's fair.

03:09:05 4 Q. Dr. Villasenor didn't investigate whether any of what

03:09:08 5 is -- what he describes as non-infringing alternatives are

03:09:13 6 legal or even allowed under regulation, correct?

03:09:15 7 A. I believe that's fair.

03:09:16 8 Q. And you have no qualifications to assess banking and

03:09:20 9 regulatory laws in terms of risk management, correct?

03:09:23 10 A. That's correct.

03:09:24 11 Q. You've done no analysis whatsoever as to whether what

03:09:27 12 you told the jury was a commercially viable non-infringing

03:09:31 13 alternative is actually commercially feasible, correct?

03:09:34 14 A. I can't completely agree with that.

03:09:36 15 Q. You have no expertise building or running a remote

03:09:43 16 deposit capture system, correct?

03:09:44 17 A. That's fair.

03:09:45 18 Q. From a professional standpoint, you've never ran a

03:09:49 19 bank, never ran an MRDC system, correct?

03:09:58 20 A. That's correct.

03:09:59 21 Q. You testified at your deposition that Mr. Saffici told

03:10:03 22 you that the bullet points in your expert report that were

03:10:08 23 non -- that were non-infringing were commercially viable,

03:10:14 24 correct?

03:10:14 25 A. I believe I said something to that extent in my

03:10:17 1 deposition.

03:10:17 2 Q. Why don't you turn to Tab 2, Lines 85, 15 through 23.

03:10:33 3 A. 85, I'm sorry, again, the lines?

03:10:36 4 MS. WILLIAMS: Objection, Your Honor. Tab 2 is --
03:10:40 5 is -- may we approach, Your Honor?

03:10:42 6 THE COURT: Approach the bench.

03:10:47 7 (Bench conference.)

03:10:47 8 MS. WILLIAMS: Your Honor, Tab 2 in the binder is
03:10:52 9 the deposition related to the first case and wouldn't have
03:10:57 10 any bearing on the non-infringing alternatives in this
03:10:58 11 case.

03:10:59 12 MR. SHEASBY: It's not intending -- I'm taking him
03:11:02 13 to the Case 2 deposition. So let me just go check the
03:11:05 14 binder number, but, no, Ms. Williams, I'm absolutely --

03:11:09 15 MS. WILLIAMS: You said Tab 2.

03:11:10 16 THE COURT: Speak quietly, counsel.

03:11:12 17 MS. WILLIAMS: Yes, Your Honor. Tab 1 -- Tab 1 is
03:11:13 18 the first --

03:11:14 19 MR. SHEASBY: Okay. So we'll go to Tab 1. Thank
03:11:16 20 you for that.

03:11:16 21 MS. WILLIAMS: All right.

03:11:17 22 THE COURT: All right. Let's proceed.

03:11:20 23 (Bench conference concluded.)

03:11:22 24 THE COURT: Let's proceed.

03:11:30 25 Q. (By Mr. Sheasby) Let's actually go to Tab 1,

03:11:33 1 Mr. Gerardi.

03:11:34 2 A. Okay.

03:11:35 3 Q. And if we can look at Page 85, Lines 15 through 23.

03:11:54 4 A. Okay.

03:11:55 5 Q. You testified that Mr. Saffici told you that your
03:11:58 6 bullet points were non-infringing alternatives that were
03:12:08 7 commercially viable, correct?

03:12:09 8 A. Which lines again? I'm sorry, sir.

03:12:11 9 Q. Sure. 85, Lines 15 through 23.

03:12:17 10 A. My answer was: Mr. Saffici advised me that from a
03:12:21 11 consumer standpoint, he didn't believe these would affect
03:12:24 12 the consumer's side of the liability equation.

03:12:27 13 Q. You understand then when I asked Mr. Saffici whether he
03:12:32 14 had done any analysis of your bullet points, he testified
03:12:34 15 that he had not, correct?

03:12:36 16 A. At his deposition, I believe that's correct.

03:12:38 17 Q. In fact, Mr. Saffici test -- testified that he had done
03:12:46 18 nothing to investigate whether the bullet points that you
03:12:48 19 list are feasible non-infringing alternatives that were
03:12:51 20 actually commercially viable, correct?

03:12:53 21 A. That's what he said at his deposition. May I explain?

03:12:57 22 Q. Mr. -- Mr. Gerardi --

03:13:00 23 MR. SHEASBY: Your Honor, I -- I object as
03:13:02 24 non-responsive.

03:13:09 25 THE COURT: You -- you're not entitled to ask

03:13:12 1 counsel if you can explain something. You're here to
03:13:14 2 answer the questions. Counsel for Wells Fargo will have an
03:13:17 3 opportunity to revisit it if they believe in their judgment
03:13:21 4 it needs to be readdressed.

03:13:22 5 THE WITNESS: Yes, Your Honor.

03:13:24 6 THE COURT: Let's proceed on that basis.

03:13:27 7 Q. (By Mr. Sheasby) So just so the record is clear, at
03:13:28 8 deposition you told me that Mr. Saffici had advised you
03:13:31 9 that a number of the bullet points that you list as
03:13:33 10 non-infringing alternatives, he didn't believe they'd
03:13:35 11 accept -- they'd affect the customer side of the liability
03:13:38 12 equation, correct?

03:13:39 13 A. Correct.

03:13:39 14 Q. And at deposition, Mr. Saffici testified that he did no
03:13:43 15 analysis whatsoever as to whether your bullet points were
03:13:47 16 commercially viable, fair?

03:13:48 17 A. That's fair.

03:13:49 18 Q. So Mr. Hecht, who was Wells Fargo's corporate
03:14:00 19 representative, didn't discuss your bullet points, correct?

03:14:05 20 A. Which bullet points?

03:14:06 21 Q. Your non-infringing alternatives, correct?

03:14:08 22 A. That's fair.

03:14:09 23 Q. He -- he testified that he had decades and decades of
03:14:14 24 experience in the banking industry, correct?

03:14:17 25 A. Yes.

03:14:18 1 Q. He never told you that your non-infringing alternative
03:14:21 2 was commercially viable, correct?

03:14:23 3 A. No, he did not.

03:14:26 4 Q. Mr. Villa -- Dr. Villasenor never told you it was
03:14:34 5 commercially viable, correct?

03:14:36 6 A. That's correct.

03:14:37 7 Q. And Mr. Saffici testified that he never told you that
03:14:40 8 it was commercially viable, correct?

03:14:43 9 A. At his deposition, that's correct.

03:14:48 10 Q. Now, you testified that Mr. Weinstein didn't perform
03:14:52 11 any type of cost savings analysis, fair?

03:14:59 12 A. I believe I said something to that extent, yes.

03:15:02 13 Q. If you go to slides -- Mr. Weinstein's demonstratives
03:15:05 14 at Slide 45.

03:15:24 15 Now, this is the slide that Mr. Weinstein showed
03:15:27 16 to the ladies and gentlemen of the jury, correct?

03:15:29 17 A. Yes, it is.

03:15:32 18 Q. He showed, that from 2014 to 2018, if mobile deposit
03:15:37 19 was going to go through a teller, it would be \$2.46,
03:15:42 20 correct?

03:15:42 21 A. That's what's listed on that slide.

03:15:44 22 Q. If it was going through an ATM, it would be \$1.41
03:15:50 23 percent [sic], correct?

03:15:50 24 A. \$1.41, correct?

03:15:52 25 Q. \$1.41, correct?

03:15:52 1 A. Yes, that's what's on that slide.

03:15:54 2 Q. And if it was MRDC, it would be 35 cents per deposit,
03:15:59 3 right?

03:15:59 4 A. That's what's on his slide.

03:16:01 5 Q. And that creates a cost savings of between a dollar and
03:16:05 6 \$2.00 for every single deposit, correct?

03:16:07 7 A. That's what he has listed on his slide.

03:16:09 8 Q. And you didn't provide any alternative cost numbers,
03:16:12 9 correct?

03:16:12 10 A. In response to that, no, I did not.

03:16:15 11 Q. And so the only cost numbers the jury is going to hear
03:16:18 12 are the cost numbers that are on -- in Mr. Weinstein's
03:16:20 13 testimony and Ms. Lockwood-Stein's testimony, correct?

03:16:22 14 A. I believe so.

03:16:23 15 Q. And at your deposition we discussed what the
03:16:43 16 implication of these cost savings numbers are, correct?

03:16:46 17 A. I believe so, yes.

03:16:49 18 Q. And we discussed the fact that if you calculated only
03:16:55 19 the cost savings that Wells Fargo achieved by using MRDC
03:17:02 20 for just one year in 2018, it would be \$100 million,
03:17:11 21 correct?

03:17:11 22 MS. WILLIAMS: Objection, Your Honor. May we
03:17:12 23 approach?

03:17:13 24 THE COURT: What's your objection, counsel?

03:17:18 25 MS. WILLIAMS: Your Honor, it is outside --

03:17:20 1 outside his report. Mr. Gerardi did not do this
03:17:25 2 calculation.

03:17:32 3 MR. SHEASBY: Your Honor, I'm happy to respond.

03:17:34 4 THE COURT: What's your response?

03:17:35 5 MR. SHEASBY: Well, one, Mr. Gerardi has
03:17:40 6 represented that Mr. Weinstein did not do a cost savings
03:17:42 7 analysis.

03:17:43 8 Two, I'm establishing that he did a cost savings
03:17:46 9 analysis.

03:17:47 10 And, three, I'm now going to establish that this
03:17:50 11 witness did his own -- calculated that cost savings would
03:17:54 12 actually be in excess of what Mr. Weinstein did.

03:17:57 13 THE COURT: What's your response to the objection
03:18:00 14 that this is beyond the scope of this witness's expert
03:18:03 15 report? That's the objection that's been raised, not --
03:18:06 16 not what you think you're going to do for the next 10 or 15
03:18:09 17 minutes.

03:18:09 18 MR. SHEASBY: I understand, Your Honor.

03:18:10 19 My response is that Mr. -- Mr. Gerardi does
03:18:15 20 discuss cost savings in his report.

03:18:19 21 THE COURT: And is this discussed by Mr. Gerardi
03:18:22 22 in his report?

03:18:23 23 MR. SHEASBY: The underlying data is discussed in
03:18:25 24 his report, Your Honor.

03:18:26 25 THE COURT: Are these conclusions discussed in his

03:18:28 1 report?

03:18:28 2 MR. SHEASBY: They are not discussed in his
03:18:30 3 report.

03:18:30 4 THE COURT: Then I'll sustain the objection.

03:18:32 5 Q. (By Mr. Sheasby) Now, I note that you -- you believe
03:18:57 6 that there are some patents that can be worth hundreds of
03:19:00 7 millions of dollars, correct?

03:19:01 8 A. I'm sorry, repeat your question.

03:19:03 9 Q. You believe that there are some patents that can be
03:19:07 10 worth hundreds of millions of dollars, correct?

03:19:10 11 A. You mean in a general context?

03:19:12 12 MR. SHEASBY: Your Honor, objection,
03:19:14 13 non-responsive.

03:19:15 14 THE COURT: Overruled. He's asking for
03:19:17 15 clarification. He's entitled to do that.

03:19:20 16 Q. (By Mr. Sheasby) There are some patents that can be
03:19:24 17 worth hundreds of millions of dollars that you've been
03:19:26 18 involved with, correct?

03:19:28 19 A. That I've been involved with over my career, yes,
03:19:31 20 that's -- that's true.

03:19:32 21 Q. Now, in this case, you've -- telling the ladies and
03:19:39 22 gentlemen of the jury that for these 120 million deposits
03:19:45 23 that Wells Fargo has made using a system you must assume is
03:19:50 24 infringed, USAA would get how many cents per deposit under
03:19:55 25 your damages analysis?

03:19:56 1 A. I haven't performed that calculation.

03:19:59 2 Q. It's less than a cent, correct?

03:20:03 3 A. I believe so. But I haven't performed that
03:20:05 4 calculation.

03:20:06 5 Q. It's -- it's .000 some cent, correct?

03:20:13 6 A. Again, sir, I haven't performed the calculation.

03:20:16 7 Q. So what we know is the following. We know from the
03:20:18 8 testimony that Wells Fargo, through its EW -- EWS system,
03:20:24 9 charges USAA 60 cents for every out of network sale
03:20:30 10 transaction, correct? That was -- that's in the record?

03:20:31 11 A. I'm sorry. Just repeat your question again.

03:20:34 12 THE COURT: Counsel, are you still inquiring as to
03:20:37 13 this demonstrative?

03:20:37 14 MR. SHEASBY: I am, Your Honor.

03:20:39 15 THE COURT: All right. Proceed.

03:20:41 16 Q. (By Mr. Sheasby) We know from testimony earlier this
03:20:47 17 week that Wells Fargo, through EWS, charges USAA 60 cents
03:20:53 18 per Zelle transaction, correct? That was testified to?

03:20:56 19 A. I don't know if I agree with that.

03:20:59 20 Q. EWS charges USAA 60 cents for certain Zelle
03:21:05 21 transactions, correct?

03:21:06 22 A. EWS charges for Zelle transactions.

03:21:09 23 Q. It's approximately 60 cents, correct?

03:21:11 24 A. I believe it -- depending on the type of transaction,
03:21:14 25 that's correct.

03:21:15 1 Q. EW -- EWS is partially owned by Wells Fargo, correct?

03:21:18 2 A. Partially owned, that's correct.

03:21:24 3 Q. Mr. Brady testified that Wells Fargo charges USAA's
03:21:25 4 customers \$3.50 when USAA's customers attempt to use Wells
03:21:36 5 Fargo's ATM, correct? He testified to that?

03:21:37 6 A. I believe that's what he said, yes.

03:21:38 7 Q. And your conclusion in a hypothetical negotiation, with
03:21:40 8 120 million infringing transactions and cost savings
03:21:42 9 between a dollar and \$2.00 per transaction, that USAA would
03:21:46 10 settle for less than one cent per transaction? That's your
03:21:49 11 testimony to the jury, correct?

03:21:50 12 A. Based upon my calculations, yes, absolutely.

03:21:53 13 MR. SHEASBY: I have no further questions.

03:21:56 14 THE COURT: You pass the witness?

03:21:57 15 MR. SHEASBY: I pass the witness.

03:21:59 16 THE COURT: All right. Approach the bench,
03:22:12 17 counsel.

03:22:12 18 (Bench conference.)

03:22:12 19 THE COURT: All right. I want to discuss managing
03:22:19 20 the remaining time for trial with you all.

03:22:22 21 Plaintiff's got approximately two hours and two
03:22:30 22 minutes. Defendant's got 15 minutes. I understand
03:22:34 23 Defendant has 15 minutes of deposition -- 12 -- 13 minutes?

03:22:39 24 MR. MELSHEIMER: We're not going to play that,
03:22:41 25 Judge. We're just going to use it on Mr. Gerardi.

03:22:43 1 THE COURT: All right. Now, Plaintiff's going to
03:22:45 2 play depositions in rebuttal?

03:22:47 3 MR. SHEASBY: Yes, Your Honor.

03:22:48 4 THE COURT: Are there portions of that rebuttal
03:22:49 5 that are counter-designations chargeable to Defendant?

03:22:52 6 MR. SHEASBY: There are.

03:22:54 7 MR. MELSHEIMER: Less than a minute is what my
03:22:55 8 understanding is on --

03:22:56 9 THE COURT: So you're planning to go forward with
03:22:58 10 redirect of about 14 minutes?

03:23:00 11 MR. MELSHEIMER: About 14 minutes, Your Honor.

03:23:02 12 THE COURT: Is that going to be adequate to
03:23:04 13 complete the process?

03:23:05 14 MR. MELSHEIMER: Are you asking me if I want some
03:23:07 15 more time?

03:23:08 16 THE COURT: I asked you if it's going to be
03:23:11 17 adequate to complete the process, and I want an honest
03:23:14 18 answer.

03:23:17 19 MR. MELSHEIMER: Your Honor, we could use a few
03:23:21 20 more minutes, frankly.

03:23:22 21 MR. SHEASBY: Your Honor, I can be clear, we're
03:23:24 22 not going to recut a deposition play for -- they don't need
03:23:27 23 to be concerned about that. We'll play what's been
03:23:30 24 designated in the rebuttal case. We're not going to recut
03:23:32 25 at this point. They can have all the time they have left.

03:23:35 1 MR. MELSHEIMER: If that's the case, then I think
03:23:37 2 we can do it.

03:23:37 3 THE COURT: Then let's do it. Let's go forward
03:23:39 4 with what we have. I just don't want a moving target and
03:23:41 5 somebody gets caught in -- caught in a bind.

03:23:44 6 MS. WILLIAMS: Thank you, Your Honor.

03:23:44 7 THE COURT: Let's proceed with redirect.

03:23:46 8 (Bench conference concluded.)

03:23:52 9 THE COURT: Let's proceed with redirect by the
03:23:54 10 Defendant.

03:24:21 11 MS. WILLIAMS: Your Honor, may I have a moment to
03:24:23 12 make some room for my binders, please?

03:24:28 13 THE COURT: You may. You may.

03:25:05 14 MS. WILLIAMS: May it please the Court.

03:25:06 15 THE COURT: You may proceed.

03:25:08 16 MS. WILLIAMS: Thank you, Your Honor.

03:25:10 17 Q. (By Ms. Williams) Mr. Gerardi, you were asked some
03:25:13 18 questions about a Celent article from 2009; do you recall
03:25:15 19 those questions?

03:25:16 20 A. Yes, I do.

03:25:17 21 Q. Was that Celent article addressing MRDC generally, or
03:25:21 22 was it addressing the inventions in the patents in this
03:25:24 23 case?

03:25:25 24 A. Generally speaking. It wasn't addressing the patents
03:25:29 25 in this case. It was I think nine years before the patents

03:25:31 1 in the case.

03:25:32 2 Q. You were asked some questions about -- about

03:25:35 3 Mr. Weinstein's theories in this case. The -- what is your

03:25:43 4 understanding as to the inventions that he valued,

03:25:46 5 regardless of the model that he used?

03:25:48 6 A. He stated they're -- both of his models are based upon

03:25:54 7 fraud and fraud benefits as part of his calculations.

03:25:59 8 Q. You were also asked some questions about whether you

03:26:04 9 relied on Mr. Saffici in preparing your analysis in this

03:26:11 10 case. Do you recall those questions?

03:26:13 11 MR. SHEASBY: Your Honor, I object. That's an

03:26:14 12 argumentative statement.

03:26:15 13 THE COURT: Overruled.

03:26:20 14 Q. (By Ms. Williams) Do you recall?

03:26:22 15 A. Yes, I do.

03:26:22 16 Q. Okay. And then do you -- when you -- why did you speak

03:26:30 17 with Mr. Saffici in this case?

03:26:31 18 A. Again, to get an understanding of those back end

03:26:34 19 systems and to see -- get an understanding of when they

03:26:39 20 have been in place and for how long they've been in place.

03:26:42 21 Q. And what is your understanding based on your

03:26:44 22 conversations with Mr. Saffici about how long those have

03:26:46 23 been in place?

03:26:47 24 A. Those back end systems have been in place for years, if

03:26:50 25 not decades, prior to the patents being issued.

03:26:53 1 Q. Did you rely on Mr. Saffici to provide a
03:26:57 2 non-infringement analysis for you in this case?

03:26:59 3 A. No, I did not.

03:26:59 4 Q. Is that consistent or inconsistent with your deposition
03:27:03 5 testimony previously?

03:27:04 6 A. It's consistent.

03:27:07 7 Q. When you spoke with Mr. Saffici in this case, did you
03:27:17 8 speak with him about non-infringing alternatives?

03:27:21 9 A. Not directly, no.

03:27:23 10 Q. When you were being questioned by counsel for USAA, do
03:27:32 11 you recall being asked questions about being advised by
03:27:35 12 Mr. Saffici from a consumer standpoint that he didn't
03:27:38 13 believe that the non-infringing alternatives would affect
03:27:41 14 the customer side of the viability equation?

03:27:44 15 A. Yes, I remember that.

03:27:45 16 Q. Okay. When did you speak with Mr. Saffici about that?

03:27:48 17 A. After his deposition and before my deposition.

03:27:50 18 Q. All right. And does your -- does your number in this
03:28:03 19 case, the 3.98 million lump-sum number, depend in any way
03:28:09 20 on whether the non-infringing alternatives are correct or
03:28:12 21 not correct?

03:28:14 22 A. No.

03:28:14 23 Q. Your 3. --

03:28:15 24 A. It sets a cap for what I think the lump sum would be.

03:28:27 25 MS. WILLIAMS: Your Honor, may I have a moment to

03:28:29 1 confer with counsel?

03:28:30 2 THE COURT: You may.

03:29:02 3 MS. WILLIAMS: May it please the Court.

03:29:04 4 Q. (By Ms. Williams) Mr. Gerardi, you were asked some
03:29:06 5 questions about -- about Zelle. Is -- what is your
03:29:10 6 understanding about Zelle?

03:29:12 7 A. Zelle is a service that helps customers transfer money
03:29:19 8 between each other. You can Zelle or via -- via your app
03:29:23 9 send money back and forth to each other.

03:29:26 10 Q. And if -- and in the context of Zelle, there -- if --
03:29:30 11 if a customer uses it, they actually get a service, right?

03:29:33 12 A. Correct.

03:29:33 13 Q. And EWS provides that service?

03:29:36 14 A. I believe that's the company that provides Zelle, yes.

03:29:38 15 Q. And for providing that service, EWS charges?

03:29:42 16 A. Oh, yes, they do.

03:29:45 17 Q. Okay. And how is -- in the context of -- of this -- of
03:29:51 18 this case, what -- would Wells Fargo get any services from
03:29:58 19 USAA?

03:29:58 20 A. No, as you heard earlier, I think -- I forget which
03:30:03 21 witness, but basically is what they get is a permission
03:30:07 22 slip to use the patents. Zelle is someone providing the
03:30:10 23 hardware, the software, the people, all the capital to make
03:30:13 24 that business run. In this case, you're getting a
03:30:17 25 permission slip to use the patents. So Wells Fargo would

03:30:19 1 have to do something with that permission slip.

03:30:22 2 Q. Mr. Gerardi, do you stand by the opinions that you've
03:30:35 3 rendered in this case?

03:30:36 4 A. Oh, absolutely.

03:30:36 5 Q. And so what is the -- what is the amount that Wells
03:30:41 6 Fargo would -- would be willing to -- to pay in a
03:30:46 7 hypothetical negotiation?

03:30:47 8 A. Based upon the analyses that I've performed, I believe
03:30:51 9 that the claims provided in the patent, a value of
03:30:54 10 \$3.98 million.

03:30:55 11 Q. Have you performed a per -- per unit royalty rate in
03:30:58 12 this case?

03:30:58 13 A. No, I have not.

03:30:59 14 Q. And so -- why not?

03:31:02 15 A. Again, looking at my calculation, looking at the
03:31:05 16 totality of the lump sum that would come out of that
03:31:07 17 hypothetical negotiation, that would give Wells Fargo the
03:31:10 18 ability to continue offering their product.

03:31:14 19 MS. WILLIAMS: Your Honor, I pass the witness.

03:31:16 20 THE COURT: All right. Further cross-examination
03:31:20 21 by the Defendant [sic].

03:31:23 22 MR. SHEASBY: Briefly, Your Honor.

03:31:26 23 THE COURT: Briefly, all right. Let it so be
03:31:29 24 noted in the record.

03:31:31 25 Q. (By Mr. Sheasby) Mr. Gerardi, when you calculated your

03:31:33 1 \$3.98 million number -- number, you didn't take into
03:31:41 2 account any profits or cost savings or ecosystem benefits
03:31:47 3 or wow benefits that Wells Fargo will continue to obtain if
03:31:55 4 it continues to use this technology through the dates of
03:31:57 5 its expiration, correct?

03:31:59 6 A. My calculation is based upon, again, what I performed,
03:32:02 7 which I believe is the benefits of the claims of the
03:32:07 8 patent.

03:32:07 9 Q. But your damages number that you listed to the jury is
03:32:11 10 for a set period of time, correct?

03:32:12 11 A. It is.

03:32:13 12 Q. You didn't take into account profits that would occur
03:32:15 13 after that set period of time, correct?

03:32:17 14 A. For the reasons I've stated, no, I did not.

03:32:19 15 Q. You didn't take into account the cost savings that
03:32:25 16 would occur after that set period of time, correct?

03:32:26 17 A. Again, for all the reasons I've stated why I performed
03:32:29 18 my calculations and why I didn't, I didn't think it was
03:32:31 19 necessary to do that.

03:32:31 20 Q. You didn't take into account the growth and profits
03:32:35 21 that mobile deposit would incur through 20 -- 2026 when
03:32:39 22 these patents expire, correct?

03:32:40 23 A. Again, for the reasons I explained to you, no, I didn't
03:32:43 24 think that was necessary.

03:32:44 25 Q. Now, you testified that it would be extremely

03:32:50 1 inexpensive for Wells Fargo to remove the infringing
03:32:54 2 functionality, correct?

03:32:55 3 MS. WILLIAMS: Objection, Your Honor. It's beyond
03:32:57 4 the scope of cross-examination.

03:32:59 5 THE COURT: Overruled.

03:33:00 6 MS. WILLIAMS: I mean, redirect, sorry.

03:33:02 7 THE COURT: Overruled.

03:33:03 8 A. Repeat your question.

03:33:04 9 Q. (By Mr. Sheasby) You said it would be extremely
03:33:07 10 inexpensive for Wells Fargo to remove the infringing
03:33:09 11 functionality in this case, correct?

03:33:10 12 A. I don't think I stated that exactly. I stated that it
03:33:13 13 would cost less than that amount to implement the
03:33:16 14 non-infringing alternative.

03:33:16 15 Q. It would cost Wells Fargo less than \$3.98 million to
03:33:22 16 implement a non-infringing alternative?

03:33:24 17 A. Yes.

03:33:25 18 Q. So you're telling me that -- you're telling the ladies
03:33:32 19 and gentlemen of the jury that we're here, we're having
03:33:34 20 this intense fight, and the reason for that is because,
03:33:38 21 apparently, Wells Fargo could just spend less than
03:33:43 22 \$3.9 million and turn it off?

03:33:44 23 A. I'm not going to opine upon what Wells Fargo will or
03:33:48 24 will not do with its business. I'm going to give you my
03:33:51 25 opinion as to what I think the value is of the

03:33:54 1 patents-in-suit in this litigation.

03:33:55 2 Q. But one thing we know, Dr. Villaseñor says it can be
03:33:58 3 turned off whenever Wells Fargo wants. They just need to
03:34:01 4 write a check for less than \$3.8 million to their engineers
03:34:05 5 and they can turn it off, correct?

03:34:07 6 A. The cost to implement would be less than the numbers
03:34:09 7 I've calculated.

03:34:10 8 Q. But the second thing we know is that Wells Fargo has
03:34:13 9 not turned it off, correct?

03:34:15 10 A. I don't believe they have.

03:34:16 11 Q. Thank you.

03:34:18 12 THE COURT: You pass the witness?

03:34:19 13 MR. SHEASBY: I pass the witness.

03:34:20 14 THE COURT: Further direct, Ms. Williams?

03:34:23 15 MS. WILLIAMS: No, Your Honor. Thank you.

03:34:24 16 THE COURT: You may step down, Mr. Gerardi.

03:34:26 17 THE WITNESS: Thank you, Your Honor.

03:34:27 18 THE COURT: Defendant, call your next witness.

03:34:39 19 MR. MELSHEIMER: May it please the Court.

03:34:41 20 Your Honor, at this time Wells Fargo rests its case,
03:34:43 21 subject to the filings that we made earlier that Mr. Hill
03:34:46 22 discussed with the Court outside the jury's presence. But
03:34:50 23 at this time, we rest our case.

03:34:51 24 THE COURT: All right. Defendants have rested
03:34:53 25 their case-in-chief.

03:34:55 1 Does Plaintiff have a rebuttal case to present to
03:34:57 2 the jury?

03:34:57 3 MS. GLASSER: We do, Your Honor.

03:34:58 4 THE COURT: Proceed with Plaintiff's rebuttal
03:35:00 5 case.

03:35:00 6 MS. GLASSER: Plaintiff, USAA, in rebuttal will be
03:35:05 7 calling two witnesses by deposition. We will be recalling
03:35:10 8 Mr. Ajami, and that will be the last witness of the case.

03:35:15 9 The first witness that we will be calling is
03:35:18 10 Mr. Paul Rosati, corporate representative of Wells Fargo by
03:35:23 11 video deposition.

03:35:28 12 THE COURT: All right. Proceed with the witness
03:35:29 13 by deposition.

03:35:31 14 MR. HILL: Your Honor, before we do that,
03:35:33 15 Mr. Rosati was not a corporate representative in this
03:35:35 16 deposition. I just want to correct that for the record.
03:35:38 17 He was --

03:35:39 18 THE COURT: Do we have a dispute about that,
03:35:42 19 Ms. Glasser?

03:35:44 20 MS. GLASSER: My understanding is they had
03:35:46 21 represented him in this case as someone who had provided
03:35:49 22 information to the experts on behalf of Wells Fargo Bank,
03:35:52 23 but we don't have any substantive disagreement if they want
03:35:55 24 to call him by something different.

03:35:57 25 THE COURT: All right. Let's proceed with the

03:36:04 1 deposition.

03:36:04 2 (Videoclip played.)

03:36:04 3 QUESTION: Can you state your full name for the
03:36:05 4 record?

03:36:05 5 ANSWER: Paul Rosati.

03:36:07 6 QUESTION: Where are you employed?

03:36:08 7 ANSWER: Wells Fargo Bank.

03:36:09 8 QUESTION: Sir, you understand that the wholesale
03:36:12 9 group at Wells Fargo had a mobile remote deposit capture
03:36:19 10 system, fair?

03:36:20 11 ANSWER: I was not aware of what wholesale did or
03:36:23 12 didn't have.

03:36:24 13 QUESTION: Are you aware today?

03:36:26 14 ANSWER: Yes.

03:36:26 15 QUESTION: What are you aware of?

03:36:27 16 ANSWER: That they have a check capture product.

03:36:29 17 QUESTION: Has there been any discussions at any
03:36:31 18 time, ever, about using the wholesale group's check capture
03:36:36 19 product?

03:36:36 20 ANSWER: Not that I'm aware of.

03:36:38 21 QUESTION: Do you have any basis to conclude that
03:36:40 22 the wholesale group's check capture product would be
03:36:44 23 sufficient for the needs of retail customers that Wells
03:36:47 24 Fargo seeks to serve with its mobile remote deposit capture
03:36:51 25 system that you're in charge of?

03:36:52 1 ANSWER: I haven't looked into that.

03:36:54 2 QUESTION: Sir, do you have any facts that would
03:36:59 3 lead you to believe that it would be appropriate?

03:37:01 4 ANSWER: No.

03:37:02 5 QUESTION: Have there been any discussions at any
03:37:04 6 time -- at any point that suggested or even discussed
03:37:10 7 whether the wholesale remote deposit capture system would
03:37:14 8 be appropriate for your retail customers?

03:37:16 9 ANSWER: None that I've been involved in.

03:37:18 10 QUESTION: You joined the mobile product deposit
03:37:22 11 group at Wells Fargo in 2014, correct?

03:37:25 12 ANSWER: Yes.

03:37:25 13 QUESTION: You've been in that project for five
03:37:31 14 years, correct?

03:37:33 15 ANSWER: The product manager for five years, yes.

03:37:36 16 QUESTION: At some point after the date of joining
03:37:39 17 that product, your group examined the user interfaces that
03:37:43 18 USAA uses for its mobile check deposit system, correct?

03:37:47 19 ANSWER: Specific to manual and auto capture, and
03:37:53 20 specific to multiple check capture.

03:37:56 21 QUESTION: Before this lawsuit began, you were
03:37:58 22 aware that USAA had announced licensing initiative relating
03:38:02 23 to its mobile check deposit capture patents, correct?

03:38:06 24 ANSWER: I saw some press releases.

03:38:08 25 QUESTION: You took no steps to approach USAA

03:38:17 1 about that process, correct?

03:38:20 2 ANSWER: I read the press release. That was it.

03:38:22 3 QUESTION: You never told your superior about the
03:38:28 4 press release, correct?

03:38:28 5 ANSWER: The superiors already knew.

03:38:30 6 QUESTION: Who knew?

03:38:31 7 ANSWER: Management in general. Open press
03:38:35 8 release.

03:38:35 9 QUESTION: To be clear, you were aware that USAA
03:38:42 10 had a -- had announced that it was expecting folks to take
03:38:46 11 a license to its intellectual property if they were using
03:38:49 12 it, fair?

03:38:49 13 ANSWER: I read the press release, yes.

03:38:52 14 QUESTION: Your superior, Margot Lockwood-Stein,
03:38:54 15 was aware of that, too, correct?

03:38:56 16 ANSWER: Yes.

03:38:58 17 QUESTION: Before the initiation of this lawsuit,
03:39:00 18 did you perform any investigation as to whether any of
03:39:06 19 USAA's patents were used by Wells Fargo's system?

03:39:09 20 ANSWER: No.

03:39:09 21 QUESTION: Did you request that any individual
03:39:14 22 perform that investigation?

03:39:15 23 ANSWER: No.

03:39:15 24 QUESTION: And to be clear for the record, you are
03:39:20 25 the manager of the remote deposit capture program for Wells

03:39:26 1 Fargo from the first quarter of 2014 through the present?

03:39:29 2 ANSWER: Product manager, yes.

03:39:30 3 QUESTION: Your mobile check deposit capture
03:39:35 4 system has front end and back end aspects of it, fair?

03:39:39 5 ANSWER: Yes.

03:39:39 6 QUESTION: The back end aspects of it, after the
03:39:46 7 images are received, is sort of shared infrastructure
03:39:49 8 that's used by a number of different deposit routes,
03:39:52 9 correct?

03:39:52 10 ANSWER: Deposit's infrastructure.

03:39:53 11 QUESTION: And it's shared by a number of
03:39:55 12 different deposit routes, fair?

03:39:56 13 ANSWER: Yes.

03:39:57 14 QUESTION: One of the things -- can you think of
03:40:02 15 any technology at Wells Fargo that is comparable to mobile
03:40:06 16 check deposit?

03:40:07 17 ANSWER: Nothing comes to mind.

03:40:09 18 QUESTION: USAA is a financial services company
03:40:16 19 that serves the military and its family, fair?

03:40:20 20 ANSWER: Yes.

03:40:20 21 QUESTION: In other words, you understand that its
03:40:22 22 banking division, USAA, is a competitor of Wells Fargo,
03:40:26 23 correct?

03:40:26 24 ANSWER: Yes.

03:40:28 25 (Videoclip ends.)

03:40:32 1 THE COURT: Does that complete this witness by
03:40:35 2 deposition?

03:40:36 3 MS. GLASSER: It does, Your Honor.

03:40:37 4 THE COURT: Call your next rebuttal witness.

03:40:39 5 MS. GLASSER: May it please the Court. USAA calls
03:40:42 6 its final witness, Wells Fargo corporate representative
03:40:45 7 Mr. Armin Ajami.

03:40:47 8 THE COURT: Proceed with the witness by
03:40:48 9 deposition.

03:40:49 10 (Videoclip played.)

03:40:49 11 QUESTION: Mark as the first exhibit in order
03:40:55 12 Exhibit 1.

03:40:55 13 Sir, I'm handing you Exhibit 1. This is the email
03:40:58 14 that you wrote, correct?

03:40:59 15 ANSWER: Uh-huh. Let me read it. Yes, I see the
03:41:03 16 email.

03:41:03 17 QUESTION: And this is an email that you wrote to
03:41:05 18 your colleagues, correct?

03:41:06 19 ANSWER: It is.

03:41:07 20 QUESTION: It's relating to the mobile deposit
03:41:09 21 system that you folks were considering launching, fair?

03:41:13 22 ANSWER: It's related to the user experience for
03:41:18 23 mobile deposit.

03:41:18 24 QUESTION: Sir, if you can answer my question the
03:41:22 25 way I asked it, I'd appreciate it. This is relating to the

03:41:26 1 mobile deposit product you folks were considering
03:41:28 2 launching?

03:41:29 3 ANSWER: It's related to part of mobile deposit.

03:41:32 4 QUESTION: This email, Exhibit 1, is relating to a
03:41:35 5 part of the mobile deposit --

03:41:37 6 ANSWER: Uh-huh.

03:41:37 7 QUESTION: -- system you were launching, fair?

03:41:39 8 ANSWER: Yes.

03:41:39 9 QUESTION: And it says that you're leveraging the
03:41:43 10 learnings that you derived from, amongst other entities,
03:41:46 11 USAA, fair?

03:41:47 12 ANSWER: In the design of the product. In the
03:41:53 13 design of the user experience.

03:41:55 14 QUESTION: Sir, if you could answer my question
03:41:57 15 fairly, yes or no, I -- I would appreciate --

03:42:00 16 ANSWER: Could you restate your question? Sorry.

03:42:03 17 QUESTION: Sure. This is an email that you wrote
03:42:05 18 in 2010 regarding the mobile remote deposit capture system
03:42:09 19 that Wells Fargo was launching.

03:42:09 20 ANSWER: Uh-huh.

03:42:11 21 QUESTION: You stated that you were planning on
03:42:13 22 leveraging design learnings from USAA, fair?

03:42:16 23 ANSWER: Yes, for design.

03:42:17 24 QUESTION: Why don't we start there. When was the
03:42:20 25 project team engaged to develop mobile check deposit?

03:42:24 1 ANSWER: In mid to late 2009 is the first time we
03:42:27 2 started putting resources to look at the opportunity.

03:42:30 3 QUESTION: And who made that decision?

03:42:32 4 ANSWER: I did.

03:42:35 5 QUESTION: Sir, to be clear, you don't recall if
03:42:38 6 you were aware that USAA had launched a mobile check
03:42:43 7 deposit system at the time you were planning on launching
03:42:47 8 one for Wells Fargo; is that your testimony?

03:42:49 9 ANSWER: At the time -- yeah, I just -- I don't
03:42:54 10 remember. I know we found out about it later. I don't
03:42:57 11 know at the time when we were about to make a decision to
03:42:59 12 start looking at it in late 2009, whether USAA was in the
03:43:04 13 market or not.

03:43:05 14 I'm not clear on your definition of that term. If
03:43:08 15 you're talking about the user experience, my team looked at
03:43:11 16 the user experience of whoever was in the marketplace at
03:43:14 17 the time, including USAA.

03:43:14 18 QUESTION: Sir, your team examined USAA's
03:43:22 19 Mobile@Deposit [sic] check deposit system, fair?

03:43:26 20 ANSWER: The user experience of that system, yeah,
03:43:30 21 we looked at it.

03:43:31 22 QUESTION: You downloaded the app, correct?

03:43:33 23 ANSWER: Actually, I don't have firsthand
03:43:36 24 knowledge of who downloaded the app, but we -- we may have
03:43:39 25 gotten it through a third-party research firm that may have

03:43:43 1 produced some information regarding -- it was publicly
03:43:48 2 available information about USAA's system.

03:43:50 3 QUESTION: Sir, Wells Fargo examined USAA's mobile
03:43:58 4 check deposit application while it was designing its
03:44:01 5 system, yes or no?

03:44:02 6 ANSWER: Again, can you define examined? Because
03:44:07 7 what I'm saying is we looked at the user experience. So if
03:44:12 8 that's your definition of examined, then that's fine, but I
03:44:15 9 don't know what you mean by examined.

03:44:18 10 QUESTION: You wanted people who used mobile
03:44:21 11 banking to continue to utilize ATMs and stores for check
03:44:25 12 deposits; is that correct?

03:44:26 13 ANSWER: Our position -- our view -- our viewpoint
03:44:32 14 was customers should choose whatever channel they want to
03:44:35 15 choose that's most convenient for them. Some people are
03:44:38 16 going to want to come into the stores and branches, visit
03:44:41 17 the ATM. For some people, self-service using a digital
03:44:44 18 channel like mobile makes the most sense. So ultimately,
03:44:47 19 it's customer choice. We weren't forcing or incenting
03:44:51 20 anyone to use a mobile solution.

03:44:53 21 QUESTION: Now, at the time of development of a
03:45:14 22 mobile check deposit system at Wells Fargo, Wells Fargo had
03:45:19 23 available to it a pre-existing Desktop Deposit solution,
03:45:24 24 fair?

03:45:24 25 ANSWER: Yes.

03:45:25 1 QUESTION: Your presentation concludes that that's
03:45:27 2 not a commercially viable option for the vast number of
03:45:32 3 consumers who your mobile product would be addressed to,
03:45:35 4 fair?

03:45:35 5 ANSWER: Yes, for the retail bank, the retail side
03:45:39 6 of the business, we looked at our desktop solution, and
03:45:42 7 because that used a scanner solution, we didn't feel that
03:45:45 8 was an appropriate use for sort of the consumer segment.
03:45:52 9 That was -- that was tailored to a very small portion of
03:45:55 10 the small business customer base that Wells Fargo had.

03:45:56 11 QUESTION: So the answer to my question is yes?

03:45:58 12 ANSWER: Yes.

03:45:58 13 QUESTION: You did not even consider those as
03:46:01 14 potential commercially viable alternatives when you were
03:46:03 15 developing the mobile deposit product?

03:46:08 16 And as to the small business solution --

03:46:08 17 ANSWER: Right.

03:46:10 18 QUESTION: -- you did consider that, and you
03:46:12 19 concluded as well that that would not be commercially
03:46:15 20 viable for a number of reasons.

03:46:15 21 ANSWER: Yeah. We worked in the -- we worked in
03:46:19 22 partnership with the team that managed that product or
03:46:22 23 service. So they had a lot of expertise in the area. We
03:46:26 24 jointly agreed that it was not -- using a desktop scanner
03:46:30 25 solution was not viable for a large retail consumer base,

03:46:33 1 so, yes.

03:46:34 2 QUESTION: You had a very particular criteria for
03:46:37 3 choosing the type of mobile deposit system that you were
03:46:40 4 going to use, fair?

03:46:41 5 ANSWER: That's fair.

03:46:41 6 QUESTION: You wanted one that was going to
03:46:43 7 provide the simplest experience possible, correct?

03:46:45 8 ANSWER: That's correct.

03:46:45 9 QUESTION: You wanted one that would provide the
03:46:47 10 high -- the lowest rate of exceptions and rejected checks,
03:46:51 11 correct?

03:46:51 12 ANSWER: I -- yes. I think generally speaking,
03:46:54 13 yes.

03:46:55 14 QUESTION: You told your bosses that if they
03:47:05 15 adopted mobile check deposit, it was going to cost less for
03:47:08 16 deposits to occur than if someone used a teller or an ATM,
03:47:12 17 fair?

03:47:12 18 ANSWER: What we said is the marginal costs of
03:47:16 19 taking a check in the mobile channel is definitely lower
03:47:19 20 than the ATM and the teller line. But then -- but then
03:47:23 21 we -- when we spoke to internal teams, there was -- they --
03:47:27 22 there was discussion, and we -- there was no agreement
03:47:34 23 there would actually be cost savings to the bottom line
03:47:37 24 because you're not -- the teller is still in the branch,
03:47:40 25 right? So that's why it's a channel optimization story,

03:47:43 1 that you're freeing up a teller time to do other things
03:47:46 2 versus taking the cost, right? Because the cost in the
03:47:49 3 teller line is a cost to the human, right? Their average
03:47:53 4 salary. How long does it take, right?

03:47:57 5 QUESTION: Who at Wells Fargo had knowledge of
03:47:59 6 USAA's remote deposit services before this litigation was
03:48:06 7 initiated?

03:48:07 8 ANSWER: Right. And so I think we define remote
03:48:11 9 deposit services from USAA both as desktop and their mobile
03:48:14 10 solutions.

03:48:14 11 QUESTION: Okay. Let's start there.

03:48:16 12 ANSWER: What's the definition? Is it both?

03:48:19 13 QUESTION: Let's do this: Who at Wells Fargo had
03:48:24 14 knowledge of USAA's mobile deposit solutions before the
03:48:29 15 initiation of this lawsuit?

03:48:30 16 ANSWER: Right. I would, and the people on my
03:48:32 17 team would have, as well, who worked on mobile deposit. We
03:48:36 18 included it, right, in our strategy decks. So it was
03:48:41 19 listed that USAA was in the market with a mobile remote
03:48:47 20 deposit solution, as well.

03:48:49 21 Do you want to list all the names? There's a lot
03:48:51 22 of people.

03:48:52 23 QUESTION: As Wells Fargo's corporate
03:48:53 24 representative, who were the individuals at Wells Fargo who
03:48:56 25 were involved in launching Wells's mobile deposit system

03:49:01 1 who were familiar with USAA's mobile deposit system?

03:49:03 2 ANSWER: Who were aware that -- yeah, for mobile
03:49:07 3 deposit. So, generally, it would be on the business side.
03:49:10 4 So it would be my team, Armin Ajami, Justin Mehta, some
03:49:14 5 folks. Pankaj Parekh, the project manager, would know.
03:49:22 6 Arah Erickson would know. Secil Watson would know.

03:49:25 7 And then we had other business teams involved. So
03:49:28 8 the team that managed Desktop Deposit would also know. So
03:49:31 9 that would be Amity Curry who's listed here. Her boss at
03:49:37 10 the time was Margot Lockwood-Stein. So she would be aware.
03:49:39 11 And her boss was Ken Dennett, as well.

03:49:42 12 So I think on the business side, that core team
03:49:45 13 would -- would definitely know. And then I think then
03:49:52 14 everyone who received the socialization deck -- because we
03:49:56 15 did talk about who else was in the marketplace, whether
03:49:59 16 it's other banks or USAA. So they would have seen that, as
03:50:01 17 well.

03:50:02 18 QUESTION: Do this perhaps in a more efficient
03:50:04 19 way. So I'm marking as the next exhibit in order,
03:50:08 20 Exhibit 8, which is a 2010 document entitled Mobile Remote
03:50:13 21 Deposit Capture Pilot, Version 0.4.

03:50:22 22 So this document discusses USAA's systems,
03:50:26 23 correct?

03:50:26 24 ANSWER: This document provides a link to USAA's
03:50:37 25 mobile deposit product page. This is publicly available

03:50:41 1 information, and also provides a link to a YouTube demo
03:50:44 2 video of the -- of the product that USAA --

03:50:46 3 QUESTION: So let's --

03:50:48 4 ANSWER: -- provided.

03:50:49 5 QUESTION: -- let's try do some level setting.

03:50:51 6 ANSWER: Sure.

03:50:51 7 QUESTION: Mobile Remote Deposit Capture Pilot,
03:50:56 8 this document, Exhibit 8, is sort of the baseline of what
03:50:59 9 the goals were for mobile check deposit, fair?

03:50:59 10 ANSWER: Fair, yeah.

03:51:00 11 QUESTION: And in this sort of baseline document,
03:51:03 12 which is listing all these people, one of the references
03:51:06 13 that you cite to, you actually cite to USAA's
03:51:11 14 Deposit@Mobile product page --

03:51:11 15 ANSWER: Uh-huh.

03:51:12 16 QUESTION: -- and you cite to USAA's demo video?

03:51:16 17 ANSWER: Right.

03:51:17 18 QUESTION: Correct?

03:51:17 19 ANSWER: Correct.

03:51:20 20 QUESTION: And so when you were planning from this
03:51:24 21 foundational stage about mobile check deposit, you folks
03:51:27 22 were not just aware of the USAA system, you were actually
03:51:32 23 sending to your teams the links for them to go look at the
03:51:36 24 USAA system as it was publicly available, fair?

03:51:40 25 ANSWER: Yeah, publicly available.

03:51:42 1 QUESTION: That was a yes?

03:51:44 2 ANSWER: Yes, yeah.

03:51:45 3 QUESTION: Sir, the only commercially available
03:51:48 4 system that you point to in your foundation document from
03:51:52 5 2010, Exhibit 8, was the USAA system in the references
03:51:58 6 section, correct?

03:51:59 7 ANSWER: Let me look at this document. Because
03:52:03 8 this is the -- the timing of this document is after another
03:52:06 9 bank had gone nationwide with their rollout. So I know we
03:52:11 10 were looking at other things in the marketplace in
03:52:13 11 addition, but perhaps in this document -- just let me see
03:52:17 12 if there's any reference to this other launch that was out
03:52:19 13 there at the time.

03:52:21 14 Right. So, yes, in this document, USAA is the one
03:52:26 15 that's listed, as well as Mitek. But USAA is the one
03:52:30 16 that's commercially -- I think that's your question, right?
03:52:33 17 Is commercially viable, yeah.

03:52:35 18 QUESTION: So in July of 2010, you formally
03:52:37 19 launched a program for mobile check deposit at Wells Fargo,
03:52:41 20 fair?

03:52:41 21 ANSWER: In July 2000 -- yes.

03:52:43 22 QUESTION: And in August of 2010, when you're
03:52:45 23 sending around the foundational document, the only
03:52:48 24 commercially available mobile check deposit system that was
03:52:51 25 circulated to the team was links to the USAA system, fair?

03:52:56 1 ANSWER: In this document, yes.

03:52:58 2 QUESTION: Okay. So we're trying to collect
03:53:05 3 information that Wells Fargo had on USAA's patent holdings
03:53:13 4 in the mobile remote deposit space. And as the corporate
03:53:18 5 representative, you are pointing to the fact that USAA
03:53:20 6 announced that it had patent holdings in the mobile deposit
03:53:26 7 space and was starting a licensing program, correct?

03:53:28 8 ANSWER: Yes.

03:53:29 9 QUESTION: And Wells Fargo was aware of that
03:53:30 10 announcement, correct?

03:53:32 11 ANSWER: Wells Fargo became aware of that
03:53:33 12 announcement at some point. I don't -- yeah.

03:53:35 13 QUESTION: It became aware of that announcement
03:53:37 14 before this lawsuit was filed, correct?

03:53:39 15 ANSWER: Yes.

03:53:39 16 QUESTION: Now, Wells Fargo also discussed with
03:54:00 17 USAA employees USAA's mobile system before Wells Fargo
03:54:06 18 launched its mobile system, correct?

03:54:09 19 ANSWER: I'm sorry. You're saying Wells Fargo
03:54:13 20 spoke to USAA employees about their system before we
03:54:17 21 launched in 2012?

03:54:23 22 QUESTION: Yes.

03:54:23 23 ANSWER: So we were aware -- yeah, I think we
03:54:26 24 attended conferences -- I attended conferences personally
03:54:29 25 where there were USAA representatives there who were

03:54:32 1 speaking about their mobile deposit capture solution, the
03:54:36 2 results, customer experience, et cetera. These were
03:54:41 3 specifically like trade shows, conferences.

03:54:43 4 QUESTION: Sure.

03:54:44 5 ANSWER: And Jeff Dennis -- I think it's Neff
03:54:49 6 Hudson is another person -- were speaking at the time. I
03:54:52 7 don't recall speaking to them directly, but I was in the
03:54:55 8 audience when they were speaking about their own solution.

03:54:58 9 QUESTION: So as Wells Fargo's corporate
03:55:01 10 representative, you're testifying that on multiple
03:55:04 11 occasions before Wells Fargo launched its product, Wells
03:55:07 12 Fargo employees attended public presentations, industry
03:55:11 13 conferences, where USAA was discussing its Mobile@Deposit
03:55:18 14 product?

03:55:19 15 ANSWER: Yes.

03:55:19 16 QUESTION: In fact, by 2013, there was an
03:55:22 17 indication that bringing folks into the mobile banking
03:55:26 18 sphere, getting people to use your mobile app, which has
03:55:28 19 lots of different products on it, was a benefit, an
03:55:32 20 ecosystem benefit, fair?

03:55:36 21 ANSWER: I would say it was a way to deepen the
03:55:39 22 relationship with customers. So by having mobile features,
03:55:43 23 they would interact with the bank more often, a
03:55:46 24 self-service channel. And so that could have additional
03:55:49 25 benefits. We weren't exactly sure, but it was part of an

03:55:52 1 entire -- you call it "ecosystem." Would probably say
03:55:56 2 probably value proposition the bank provides. All the
03:55:59 3 digital services we have, including mobile and mobile
03:56:01 4 deposit, are part of that value proposition.

03:56:03 5 QUESTION: And mobile check deposit is one of the
03:56:08 6 elements that makes you a leader in the technology sphere
03:56:13 7 in banking, fair?

03:56:15 8 ANSWER: Yeah, I would say from a mobile -- yeah,
03:56:17 9 from a technology perspective, mobile deposit's one of
03:56:24 10 the -- it's not the only thing, but it's definitely one of
03:56:24 11 the features that makes Wells Fargo a leader.

03:56:26 12 QUESTION: In fact, your presentations describe it
03:56:29 13 as table stakes, required to compete, fair?

03:56:34 14 ANSWER: We evolve, yeah, but towards -- before we
03:56:37 15 launch, yes, we, had that point of view that it was
03:56:40 16 becoming table stakes, and mobile deposit was a feature
03:56:42 17 that customers were starting to demand.

03:56:45 18 QUESTION: Well, you do have some things to base
03:56:47 19 it on. For example, you know that mobile check deposit
03:56:53 20 significantly shifts users to the lowest cost deposit
03:57:02 21 channel available at the bank, fair?

03:57:04 22 ANSWER: Right. Mobile deposit takes deposits out
03:57:07 23 of other channels and moves to the self-service channel,
03:57:11 24 yes, yeah.

03:57:12 25 QUESTION: Out of much more expensive other

03:57:14 1 channels, correct?

03:57:15 2 ANSWER: Yes.

03:57:18 3 QUESTION: And you also know that mobile check
03:57:24 4 deposit is a table stakes requirement in today's banking
03:57:28 5 environment, fair?

03:57:29 6 ANSWER: Mobile deposit as a whole, yeah, it's now
03:57:33 7 been established definitely as table stakes.

03:57:37 8 QUESTION: And you also know that mobile deposit
03:57:40 9 is a way of making your customers stickier and more engaged
03:57:45 10 with you, fair?

03:57:46 11 ANSWER: I think mobile deposit is one of many
03:57:51 12 ways we try and engage customers.

03:57:52 13 QUESTION: Sir, in your presentations to
03:57:55 14 executives in 2011 and 2013, you quoted customers who said
03:57:59 15 they're going to leave Wells Fargo --

03:58:00 16 ANSWER: Sure.

03:58:01 17 QUESTION: -- if you don't offer mobile check
03:58:04 18 deposit, correct?

03:58:04 19 ANSWER: Correct. And we get that all the time
03:58:07 20 for a lot of features. We don't know if they actually
03:58:10 21 leave or not, but it was bubbling up as a service people
03:58:13 22 wanted to have.

03:58:14 23 QUESTION: It was not bubbling up. It was the
03:58:16 24 No. 1 pain point among your customers in the mobile space
03:58:19 25 when you launched the feature.

03:58:21 1 ANSWER: Right.

03:58:24 2 (Videoclip ends.)

03:58:24 3 THE COURT: Does that complete this deposition
03:58:26 4 witness?

03:58:26 5 MS. GLASSER: It does, Your Honor.

03:58:28 6 THE COURT: Does this complete Plaintiff's
03:58:30 7 rebuttal case?

03:58:31 8 MS. GLASSER: It does, Your Honor.

03:58:32 9 THE COURT: Does -- subject to final instructions
03:58:34 10 and final argument, does the Plaintiff rest and close?

03:58:37 11 MS. GLASSER: We do. Thank you, Your Honor.

03:58:39 12 THE COURT: Subject to final instructions and
03:58:40 13 final arguments, does the Defendant rest and close?

03:58:43 14 MR. HILL: Yes, Your Honor. Also, subject to
03:58:45 15 matters under Rule 50 which we would like to note and
03:58:48 16 preserve for the record which we know the Court will take
03:58:51 17 up later, we do rest and close.

03:58:53 18 THE COURT: All right. Ladies and gentlemen of
03:58:54 19 the jury, that means you have heard all the evidence in
03:58:56 20 this case.

03:58:58 21 There are certain matters the Court has to take up
03:59:03 22 with counsel in preparation for me giving to you my final
03:59:07 23 instructions on the law, which you've heard referred to as
03:59:10 24 the Court's charge to the jury, followed by counsel's
03:59:15 25 closing arguments. There are things that have to be taken

03:59:17 1 up between counsel and the Court before we're ready to
03:59:20 2 proceed to that.

03:59:21 3 The good news is that that means you get to go
03:59:25 4 home at 4:00 o'clock today. The not bad news is I still
03:59:32 5 need you back in the morning, and I'd like to have you back
03:59:34 6 at 8:30 ready to go, as we've been doing all week.

03:59:37 7 If things go as I anticipate the rest of the
03:59:41 8 evening -- and we may be up here a good while, but that's
03:59:45 9 no concern of yours -- if things go as I anticipate, then
03:59:51 10 when you're back in the morning and I bring you back into
03:59:53 11 the courtroom first thing, I'll proceed to give you my
03:59:57 12 final instructions on the law that you're to apply in this
04:00:00 13 case. And then counsel for Plaintiff and Defendant will
04:00:02 14 present their closing arguments.

04:00:04 15 And after you've heard my final instructions and
04:00:06 16 counsel's closing arguments, then I will direct you to
04:00:10 17 retire to the jury room and to deliberate on the verdict in
04:00:14 18 this case. I will send back to you in the jury room eight
04:00:19 19 written copies of those final instructions I'm going to
04:00:21 20 give you.

04:00:22 21 So while I'm giving them to you orally in the
04:00:26 22 morning, you can make notes if you want to, but you are not
04:00:31 23 required to and I want you to know you'll have your own
04:00:34 24 individual written copies of those instructions to review
04:00:36 25 in the jury room while you deliberate.

04:00:38 1 I will also send back to the jury room with you
04:00:40 2 one clean copy of the verdict form with the questions in
04:00:44 3 there that you will be asked to answer on a unanimous
04:00:46 4 basis.

04:00:47 5 So with that, ladies and gentlemen, I'm going to
04:00:49 6 excuse you for the day. Follow all the instructions I've
04:00:52 7 given you. We are getting close to the end of the process.
04:00:56 8 It would be a travesty if any of my instructions were
04:01:01 9 violated and what we've done so far was placed in jeopardy.
04:01:04 10 Don't discuss the case with anyone. Don't discuss the case
04:01:07 11 with each other.

04:01:08 12 Please leave your notebooks closed on the table in
04:01:10 13 the jury room. Travel safely, and we'll see you in the
04:01:13 14 morning.

04:01:13 15 The jury is excused for the evening.

04:01:15 16 COURT SECURITY OFFICER: All rise.

04:01:20 17 (Jury out.)

04:01:36 18 THE COURT: Counsel, we will take a short recess,
04:01:38 19 after which I'll return to the bench, and I'll take up
04:01:43 20 motions either party wishes to offer under Rule 50(a) of
04:01:46 21 the Federal Rules of Civil Procedure.

04:01:50 22 After we've completed the 50(a) process, I've
04:01:54 23 heard your arguments, which I hope will be succinct, and
04:01:57 24 I've given you my rulings, then I will conduct an informal
04:02:01 25 charge conference in chambers.

04:02:02 1 I've been working on the latest submission of the
04:02:06 2 parties' proposed charge and verdict form. I'm more
04:02:09 3 optimistic about us being able to get through that in a
04:02:09 4 reasonable time than I was yesterday.

04:02:12 5 After we've completed an informal charge
04:02:16 6 conference in which counsel -- any and all counsel who've
04:02:21 7 appeared in the case are welcome to participate in, then
04:02:23 8 I'll conduct a formal charge conference on the record. And
04:02:25 9 having completed the formal charge conference, I expect to
04:02:28 10 recess at that point and reconvene in the morning at 8:30
04:02:31 11 and proceed, as I've indicated to the jury.

04:02:33 12 Those of you that will be presenting closing
04:02:36 13 arguments for your respective sides are not required to
04:02:40 14 participate in the informal or formal charge conference or
04:02:43 15 the 50(a) conference. If you'd like to begin preparing or
04:02:47 16 continuing your already begun preparations for closing
04:02:51 17 arguments, as long as each side is adequately staffed,
04:02:54 18 which I have no concerns about, you're free to be elsewhere
04:02:57 19 and use that time for other purposes.

04:02:59 20 Are there questions before we recess?

04:03:02 21 MR. SHEASBY: Your Honor, there is one question
04:03:04 22 which is, are we going to use the same procedure for
04:03:06 23 closings as last time, which is all slides must be
04:03:09 24 disclosed, including all trial transcript testimony that's
04:03:13 25 going to be used, so we can hash out objections as to

04:03:17 1 whether --

04:03:17 2 THE COURT: I don't want objections in the middle
04:03:19 3 of closing arguments. As I often say to the jury, closing
04:03:23 4 arguments are, in my view, the most serious part of a very
04:03:27 5 serious process. If they can be avoided, I want to find a
04:03:31 6 way to avoid them. We'll talk about that after the recess.

04:03:35 7 MR. SHEASBY: Thank you.

04:03:36 8 THE COURT: Anything further?

04:03:37 9 Court stands in recess.

04:03:40 10 COURT SECURITY OFFICER: All rise.

04:03:40 11 (Recess.)

04:34:44 12 (Jury out.)

04:34:44 13 COURT SECURITY OFFICER: All rise.

04:34:46 14 THE COURT: Be seated, please.

04:38:10 15 All right. Counsel, we'll proceed at this time to
04:38:24 16 take up any motions either party wishes to offer under Rule
04:38:31 17 50(a) of the Federal Rules of Civil Procedure.

04:38:33 18 What I'd like is whoever is going to speak for
04:38:36 19 Plaintiff and Defendant both go to the podium.

04:38:39 20 I'd next like to identify substantively or
04:38:44 21 topically the areas where each party believes there's an
04:38:45 22 appropriate motion under 50(a) to be offered.

04:38:46 23 After those have been identified, then I'll give
04:38:49 24 you directions as to how I want to receive argument.

04:38:52 25 So who's going to speak for Plaintiff?

04:38:55 1 Mr. Rowles?

04:38:58 2 Who's going to speak for Defendant?

04:39:01 3 MR. MCCULLOUGH: Your Honor, we're going to split
04:39:03 4 it on issues.

04:39:03 5 THE COURT: Well, for right now, you're it.

04:39:03 6 MR. MCCULLOUGH: Yes.

04:39:03 7 THE COURT: All right. What areas topically or
04:39:05 8 substantively does Plaintiff wish to urge the Court to
04:39:09 9 consider judgment as a matter of law under Rule 50(a)?

04:39:13 10 MR. ROWLES: Thank you, Your Honor. There are
04:39:14 11 five issues; one related to infringement, willful
04:39:17 12 infringement, anticipation, written description, and
04:39:24 13 damages.

04:39:25 14 THE COURT: All right. What's Defendant's
04:39:37 15 position on matters appropriate for judgment as a matter of
04:39:40 16 law under Rule 50(a)?

04:39:42 17 MR. MCCULLOUGH: Your Honor, we'll be moving for
04:39:45 18 judgment as a matter of law on infringement, willful
04:39:47 19 infringement, written description, anticipation, and
04:39:51 20 damages.

04:39:56 21 THE COURT: All right. Anything else?

04:39:58 22 MR. MCCULLOUGH: Your Honor --

04:40:00 23 THE COURT: Go ahead.

04:40:01 24 MR. MCCULLOUGH: -- one other issue, if I may.

04:40:05 25 So we understand the Court's ruling in the prior

04:40:07 1 case with respect to 101, that it is not a proper subject
04:40:07 2 for a 50(a) motion. We assume the Court's ruling would be
04:40:11 3 the same here, but I just want to note to the extent --

04:40:13 4 THE COURT: If you urge it, you'll get my ruling,
04:40:16 5 but in all likelihood it will be the same.

04:40:18 6 MR. MCCULLOUGH: I would just like to note for the
04:40:20 7 record, to preserve and avoid any possible waiver argument,
04:40:25 8 we'll move under Section 101.

04:40:27 9 THE COURT: As Rule 50(a) clearly says, if a party
04:40:41 10 has been fully heard on an issue during a jury trial and
04:40:45 11 the Court finds a reasonable jury would not have a legally
04:40:48 12 sufficient evidentiary basis to find for the party on that
04:40:51 13 issue, the Court may grant a motion for judgment as a
04:40:54 14 matter of law.

04:40:54 15 Patentability is not an issue that either party
04:40:58 16 has been fully heard on as a part of this jury trial. The
04:41:00 17 Court's not going to entertain a motion under Rule 50(a)
04:41:04 18 related to Section 101 patentability.

04:41:06 19 Any request by Defendant to that -- in that regard
04:41:09 20 is denied.

04:41:10 21 MR. MCCULLOUGH: Understand, Your Honor.

04:41:11 22 THE COURT: All right. Have I fully heard from
04:41:13 23 both Plaintiff and Defendant otherwise?

04:41:15 24 MR. ROWLES: You have, Your Honor.

04:41:17 25 MR. MCCULLOUGH: Yes, Your Honor.

04:41:17 1 THE COURT: All right. These appear to be mirror
04:41:21 2 image issues. I see no reason why we can't combine
04:41:24 3 argument on each of these five categories and hear from
04:41:27 4 both parties at the same time.

04:41:28 5 Let's start with the issue of infringement. I'll
04:41:32 6 hear first from Plaintiff, and then I'll hear from
04:41:34 7 Defendant.

04:41:36 8 And I understand there are several members of the
04:41:38 9 Defendant's trial team that will divide these categories
04:41:42 10 up. That's no problem. And when the Court takes up an
04:41:46 11 issue that you've been assigned, simply step to the podium
04:41:50 12 and participate in the argument.

04:41:51 13 MR. MCCULLOUGH: Thank you, Your Honor.

04:41:52 14 THE COURT: What's Plaintiff's argument -- brief
04:41:54 15 argument on infringement under Rule 50(a)?

04:41:57 16 MR. ROWLES: Thank you, Your Honor.

04:41:58 17 Plaintiff moves for -- for judgment as a matter of
04:42:00 18 law that no reasonable jury could find that Defendant has
04:42:04 19 not literally infringed Claims 12, 13, 14, 20, 22, and 30
04:42:11 20 of the '681 patent, and Claims 1, 3, 11 through 14, and 22
04:42:17 21 of the '605 patent.

04:42:19 22 Wells Fargo only disputes whether the Wells Fargo
04:42:23 23 Mobile Deposit system practices one element of the asserted
04:42:26 24 claims of the '681 patent.

04:42:28 25 And Wells Fargo does not dispute that the Wells

04:42:32 1 Fargo Mobile Deposit system practices every single element
04:42:34 2 of the asserted claims of the '605 patent.

04:42:39 3 The testimony of Professor Conte has shown that
04:42:41 4 the Wells Fargo Mobile Deposit system practices each and
04:42:44 5 every element of the asserted claims, including the
04:42:47 6 disputed element for the '681 patent. No reasonable jury
04:42:50 7 could conclude that the only element disputed by Wells
04:42:52 8 Fargo is not literally present in the accused system.

04:42:55 9 The testimony of Professor Conte has also shown
04:42:58 10 that Wells Fargo makes the Wells Fargo Mobile Deposit
04:43:02 11 system accused of infringement and uses it in an infringing
04:43:05 12 manner.

04:43:07 13 Therefore, USAA respectfully requests that the
04:43:09 14 Court enter judgment in its favor on the issue of
04:43:12 15 infringement and hold the Defendants have infringed the
04:43:15 16 asserted claims of the '681 patent and the '605 patent.

04:43:19 17 THE COURT: All right. Let me hear from Defendant
04:43:23 18 on this same issue.

04:43:25 19 MR. MCCULLOUGH: Your Honor, Defendant moves for
04:43:27 20 judgment as a matter of law because there is not
04:43:29 21 substantial evidence of direct infringement of any asserted
04:43:34 22 claims.

04:43:34 23 First, for the '681 patent, there is not
04:43:36 24 substantial evidence that the accused system meets the
04:43:39 25 confirming limitation which appears in each claim. The

04:43:43 1 claims require and all experts agree that the confirming
04:43:47 2 step is performed by the mobile device.

04:43:49 3 It is also -- each of the confirming steps also
04:43:52 4 recite that OCR performed on the check amount. It is
04:43:55 5 undisputed that OCR, the amount, only occurs at the server.

04:44:00 6 Dr. Villaseñor testified as such, and Dr. Conte
04:44:03 7 did not provide any contrary evidence. Because of that,
04:44:08 8 there's not substantial evidence to support that the
04:44:10 9 confirming limitation is met.

04:44:11 10 Furthermore, Dr. Conte admitted that the only
04:44:14 11 device that is deciding whether or not the check deposit
04:44:18 12 can go forward is the server. Thus, this is -- the server
04:44:22 13 is the element that is confirming the deposit can go
04:44:26 14 forward and not the mobile device. There is no evidence in
04:44:28 15 the record to the contrary.

04:44:30 16 Dr. Villaseñor's testimony is consistent on this
04:44:37 17 respect. And thus, there is not substantial evidence to
04:44:37 18 support that the accused product meets the confirming
04:44:39 19 limitation of each of the '681 patent claims.

04:44:44 20 Further --

04:44:45 21 THE COURT: All right. Go ahead.

04:44:46 22 MR. MCCULLOUGH: Furthermore, we would move for
04:44:49 23 judgment as a matter of law because there is not
04:44:50 24 substantial evidence to support that Wells Fargo is liable
04:44:53 25 for infringement of the system claims.

04:44:57 1 USAA has not presented or proffered sufficient or
04:45:00 2 substantial evidence to support a finding that Wells Fargo
04:45:02 3 is liable under the doctrine of divided infringement.

04:45:06 4 Each claim that USAA has asserted is directed to a
04:45:10 5 system. And for each claim, Dr. Conte's infringement
04:45:12 6 analysis accuses the system involving steps performed both
04:45:16 7 on the user's device, the smartphone, as well as steps
04:45:20 8 occurring on Wells Fargo's servers.

04:45:22 9 There is no evidence that Wells Fargo makes,
04:45:25 10 sells, offers to sell, imports, or provides smartphones,
04:45:29 11 and there's evidence they do not.

04:45:31 12 Dr. Conte did not testify or offer evidence that
04:45:35 13 Wells Fargo sells, offers to sell, or imports the claimed
04:45:39 14 inventions. And, thus, there's no evidence to support a
04:45:42 15 verdict of infringement under those theories.

04:45:44 16 With respect to making the invention, no
04:45:47 17 reasonable jury could find that Wells Fargo makes the
04:45:49 18 accused system because there is no evidence that Wells
04:45:52 19 Fargo combines all of the claim elements as required by
04:45:58 20 Centillion.

04:45:58 21 Dr. Conte's testimony on this point is
04:46:00 22 insufficient. Every asserted claim recites either a mobile
04:46:04 23 device or a portable device, and Dr. Conte did not testify
04:46:07 24 or present evidence that Wells Fargo combines the mobile
04:46:10 25 device with the system.

04:46:10 1 As to infringement by use of the accused system,
04:46:14 2 Dr. Conte did not testify or provide sufficient evidence
04:46:17 3 that Wells Fargo uses the claimed invention. Centillion
04:46:23 4 requires that the direct infringer both control the system
04:46:26 5 as a whole and benefit from each and every element of the
04:46:28 6 claimed system, as interpreted by the Federal Circuit in
04:46:31 7 Intellectual Ventures versus Motorola.

04:46:33 8 Dr. Conte admitted he performs no
04:46:38 9 element-by-element analysis of benefits of the claims.
04:46:41 10 USAA's only other expert, Mr. Weinstein, admitted that he
04:46:44 11 valued features not in the claims.

04:46:47 12 USAA has adduced no other -- no other evidence of
04:46:50 13 benefits on an element-by-element basis.

04:46:53 14 Benefit from the system as a whole is not enough
04:46:56 15 under the law. Again, that's the Intellectual Ventures
04:46:59 16 case. And, thus, there is not substantial evidence to
04:47:03 17 support a finding of infringement.

04:47:06 18 Finally, one additional point. Even assuming the
04:47:11 19 Akamai standard applies, as USAA has argued at certain
04:47:16 20 points in this case, the evidence would be insufficient to
04:47:19 21 support a finding of direction or control by Wells Fargo.

04:47:21 22 THE COURT: All right. Well, I've heard argument
04:47:23 23 from both Plaintiff and Defendant on these competing
04:47:26 24 motions under Rule 50(a).

04:47:27 25 I will note for the record, the Court does not

04:47:33 1 view the appropriate standard as substantial evidence, but
04:47:37 2 no legally sufficient basis -- evidentiary basis upon which
04:47:41 3 the jury could rule otherwise.

04:47:43 4 Nonetheless, having heard the argument from both
04:47:46 5 sides, Plaintiff's motion for judgment as a matter of law
04:47:54 6 on the issue of infringement is denied, as is Defendant's
04:47:54 7 motion for judgment as a matter of law regarding
04:47:55 8 infringement.

04:47:56 9 I'll next take up the parties' competing motions
04:48:02 10 under 50(a) regarding the issue of willful infringement or
04:48:06 11 willfulness.

04:48:06 12 Let me hear from Defendant first this time, and
04:48:08 13 then Plaintiff.

04:48:09 14 MS. MARCOM: Good afternoon, Your Honor.

04:48:13 15 THE COURT: Let me ask counsel to identify
04:48:15 16 themselves on the record since most of you probably haven't
04:48:17 17 participated in the trial so far.

04:48:19 18 MS. MARCOM: Kate Marcom for Defendant, Wells
04:48:22 19 Fargo.

04:48:22 20 THE COURT: At least participated on the record.
04:48:24 21 Go ahead.

04:48:25 22 MS. MARCOM: Judgment as a matter of law for
04:48:27 23 Defendant is warranted on Plaintiff's claims of willful --
04:48:30 24 for willful infringement of the '605 and '681 patents
04:48:33 25 because there is no legally sufficient basis on which the

04:48:38 1 factfinder could conclude that Defendant willfully
04:48:41 2 infringed.

04:48:41 3 USAA has failed to establish that Wells Fargo knew
04:48:45 4 of the '605 and '681 patents prior to the filing date of
04:48:49 5 the suit.

04:48:50 6 USAA adduced no evidence at trial relating to
04:48:53 7 alleged knowledge of the '605 and '68 -- '681 patent
04:49:00 8 specifically.

04:49:01 9 USAA filed the asserted patents with
04:49:04 10 non-publication requests and, thus, the claims of the
04:49:07 11 asserted patents were not in the public domain or available
04:49:10 12 to Wells Fargo until they issued. And there was no
04:49:11 13 evidence adduced at trial that Wells Fargo was aware of the
04:49:13 14 applications for the '605 and '681 patents prior to suit.

04:49:16 15 Nor was there evidence adduced that Wells Fargo
04:49:19 16 was aware of the specifications of the parent patents or
04:49:23 17 patent families, including the '227 or '200 patent prior to
04:49:28 18 suit.

04:49:29 19 Additionally, judgment as a matter of law is
04:49:32 20 warranted because USAA has failed to establish any
04:49:34 21 egregious conduct that would support a finding of willful
04:49:38 22 infringement, let alone conduct that is malicious,
04:49:41 23 deliberate, in bad faith, or that of a pirate.

04:49:43 24 The only evidence of alleged willfulness consists
04:49:47 25 of documents showing that Wells Fargo had access to

04:49:49 1 publicly available USAA -- publicly available USAA
04:49:53 2 application. And some designers may have analyzed publicly
04:49:58 3 available USAA materials, but the Federal Circuit has held
04:50:01 4 that such evidence is not sufficient to establish knowledge
04:50:03 5 for willfulness purposes.

04:50:05 6 Additionally, Wells Fargo contends that there is
04:50:07 7 not evidence to support a finding that Wells Fargo copied
04:50:12 8 any elements of USAA's products specifically related to the
04:50:15 9 patented features -- features of the issued claims.

04:50:17 10 Additionally, even under an erroneous -- even
04:50:25 11 under an -- excuse me, Your Honor. Even under an erroneous
04:50:32 12 willfulness standard, the evidence is insufficient to show
04:50:34 13 that Wells Fargo engaged in reckless behavior, was
04:50:38 14 deliberately indifferent, or that it reasonably should have
04:50:42 15 known it was infringing.

04:50:42 16 Additionally, there was no evidence adduced at
04:50:43 17 trial to show that Wells Fargo was willfully blind.

04:50:46 18 Accordingly, Defendant moves for judgment as a
04:50:48 19 matter of law on Plaintiff's claims for willful
04:50:50 20 infringement of the '605 and '681 patents.

04:50:54 21 THE COURT: All right. Let me hear competing
04:50:56 22 argument from Plaintiff on this issue.

04:50:58 23 MR. ROWLES: Thank you, Your Honor.

04:51:01 24 Plaintiff moves for judgment as a matter of law
04:51:03 25 that no reasonable jury could find that Defendant has not

04:51:06 1 willfully infringed the asserted claims of the '681 and
04:51:11 2 '605 patents.

04:51:12 3 In particular, the testimony of
04:51:15 4 Ms. Lockwood-Stein, Mr. Hecht, and Mr. Ajami, as well as --
04:51:18 5 as well as Plaintiff's Exhibits PX-8, 14, and 1182, have
04:51:24 6 shown that Wells Fargo acted willfully when it infringed
04:51:26 7 the asserted claims, including by examining USAA's system
04:51:30 8 which USAA's employees testified practice claims of the
04:51:35 9 asserted patents.

04:51:36 10 Reviewing USAA's marking page, being aware that
04:51:40 11 USAA filed for patents in the MRDC space as early as 2010,
04:51:45 12 choosing affirmatively not to investigate USAA's patents,
04:51:48 13 leveraging design learnings from USAA when creating their
04:51:52 14 own infringing system, and being aware, at least as of the
04:51:56 15 filing of this complaint, of the '605 and '681 patents, no
04:51:59 16 reasonable jury could conclude, based on the evidence
04:52:02 17 adduced at trial, that Wells Fargo did not willfully
04:52:05 18 infringe the patents-in-suit and at least one asserted
04:52:11 19 claim.

04:52:12 20 Therefore, USAA respectfully requests that the
04:52:13 21 Court enter judgment in its favor as a matter of law on the
04:52:21 22 issue of willful infringement.

04:52:22 23 THE COURT: All right. Having heard the competing
04:52:24 24 arguments from the parties, the Defendant's motion with
04:52:24 25 regard to the issue of willfulness, seeking judgment as a

04:52:29 1 matter of law under Rule 50(a), is denied.

04:52:31 2 The Plaintiff's motion on the same subject,
04:52:33 3 seeking a different result, as a -- based on a judgment as
04:52:38 4 a matter of law under Rule 50(a) is also denied.

04:52:41 5 I'll next hear competing argument on the issue of
04:52:44 6 anticipation, and I'll hear first from Plaintiff's counsel.

04:52:49 7 MR. ROWLES: Thank you, Your Honor.

04:52:51 8 On the issue of anticipation, Plaintiff moves for
04:52:54 9 judgment as a matter of law that each of the asserted
04:52:58 10 claims of the '681 patent and the '605 patent are not
04:53:02 11 invalid on the ground of anticipation.

04:53:04 12 No reasonable jury could find, based on the
04:53:07 13 evidence presented at trial, that Wells Fargo has proved by
04:53:11 14 clear and convincing evidence that the claims -- the
04:53:13 15 asserted claims of the '605 patent are anticipated by the
04:53:18 16 '227 patent or that the claims of the '681 patent are
04:53:21 17 anticipated by the '200 patent.

04:53:25 18 Anticipation requires the presence in a single
04:53:27 19 prior art disclosure of all elements of a claimed invention
04:53:30 20 arranged as in the claim. Conclusory expert testimony is
04:53:33 21 insufficient to satisfy Defendant's burden to prove
04:53:36 22 anticipation.

04:53:38 23 Wells Fargo's expert, Mr. Saffici, failed to
04:53:40 24 engage with the claims and stated his opinions regarding
04:53:44 25 anticipation in a conclusory manner without supporting

04:53:47 1 analysis. This type of general conclusory testimony does
04:53:50 2 not suffice as a matter law as evidence of invalidity.

04:53:55 3 As such, there is legally insufficient evidence
04:53:58 4 upon which a reasonable jury could find the asserted claims
04:54:02 5 of the '605 and '681 patents anticipated, and judgment must
04:54:08 6 be granted in USAA's favor.

04:54:10 7 THE COURT: All right. Let me hear argument from
04:54:12 8 Defendant on this subject.

04:54:14 9 MR. MCCULLOUGH: Thank you, Your Honor. Matt
04:54:15 10 McCullough for Wells Fargo.

04:54:16 11 Defendant moves for judgment as a matter of law on
04:54:19 12 anticipation. No reasonable jury could find that the '227
04:54:24 13 and '200 specifications provide sufficient written
04:54:27 14 description to reasonably convey to a person skilled in the
04:54:32 15 art that the inventors had possession of the claimed
04:54:34 16 subject matter at the time of filing and, thus, supports
04:54:36 17 the full scope of the asserted '605 and '681 patent claims,
04:54:40 18 respectively.

04:54:41 19 For the '605 patent, Mr. Saffici testified that
04:54:46 20 Claims 1, 3, and 11 broadly recite a portable device and
04:54:49 21 digital camera without requiring any particular structural
04:54:52 22 relationship between them. Thus, the device and camera
04:54:55 23 could be separate or together.

04:54:56 24 Claims 12, 13, 14, and 22 of the '605 patent
04:55:02 25 similarly recite a mobile device with a digital camera

04:55:07 1 without requiring any particular structural relationship.

04:55:08 2 Thus, the mobile device and camera could be separate or

04:55:11 3 together.

04:55:11 4 The '227 patent specification would be understood
04:55:14 5 by a person of ordinary skill in the art as only disclosing
04:55:17 6 separate computing devices in cameras. There is no
04:55:20 7 disclosure of an integrated computing device with a camera.

04:55:24 8 None of USAA's cited evidence provides written
04:55:27 9 description support sufficient to support the claimed
04:55:30 10 priority date. The disclosure of PDAs is not linked to
04:55:34 11 check deposit, nor does it describe having an integrated
04:55:37 12 camera.

04:55:38 13 The phrase "laptop configuration" simply refers to
04:55:41 14 a well-known form factor for a computer, but does not
04:55:44 15 support the claims.

04:55:45 16 The file history does not include any substantive
04:55:48 17 analysis of written description or comparison of the claims
04:55:51 18 to the specification.

04:55:52 19 As such, there is no objective evidence that the
04:55:55 20 Patent Office considered, or much less decided, the written
04:55:58 21 description defense.

04:55:59 22 As to the remaining evidence, USAA has looked
04:56:04 23 outside of the specification, but evidence outside the
04:56:08 24 specification cannot support that the claims have proper
04:56:10 25 written description support and are entitled to their

04:56:12 1 claimed priority date.

04:56:14 2 For the '681 patent, Mr. Saffici testified that
04:56:18 3 Claims 12, 13, 14, 20, and 22 broadly recite a mobile
04:56:23 4 device with a digital camera without requiring a particular
04:56:27 5 structural relationship. Thus, the mobile device and
04:56:29 6 digital camera can be separate or together.

04:56:31 7 Claim 30 broadly recites a mobile device and a
04:56:36 8 digital camera without requiring a particular structural
04:56:39 9 relationship. Thus, the mobile device and digital camera
04:56:41 10 could be separate or together.

04:56:43 11 The '200 patent specification, similar to the '227
04:56:47 12 specification, would be understood by a person of ordinary
04:56:49 13 skill in the art as only disclosing separate computing
04:56:53 14 devices and cameras. There's no disclosure of integrated
04:56:57 15 computing devices.

04:56:58 16 USAA's cited evidence for the '681 patent is
04:57:00 17 substantially the same as for the '605 patent, except that
04:57:04 18 PDAs are not mentioned in the specification of the '681
04:57:06 19 patent.

04:57:06 20 Based on this analysis, no reasonable jury could
04:57:12 21 find that the asserted claims are entitled to claim
04:57:14 22 priority to any date earlier than July 28th, 2017, which is
04:57:18 23 the filing date of both the '605 and '681 patents. Under
04:57:22 24 the 2017 priority date, the claims are anticipated and
04:57:26 25 Defendant is entitled to judgment as a matter of law.

04:57:30 1 Mr. Saffici testified that every element of the
04:57:33 2 '605 patent claims -- asserted claims are anticipated by
04:57:36 3 the Oakes '227 reference.

04:57:36 4 Mr. Saffici also testified that every element of
04:57:41 5 the '681 patent asserted claims are anticipated by the
04:57:43 6 Oakes '200 reference.

04:57:44 7 USAA did not dispute this or accuse any contrary
04:57:49 8 expert opinion. As such, the claims are anticipated.

04:57:51 9 Additionally, the claims are anticipated for a
04:57:54 10 separate, independent reason. To the extent the jury finds
04:57:58 11 infringement, Dr. Conte performed an element-by-element
04:58:01 12 analysis of the accused product and stated that his
04:58:04 13 analysis applied to every version of the Wells Fargo
04:58:06 14 product dating back to July 2014 on Android and 2014 on
04:58:11 15 iPhone.

04:58:11 16 Thus, if the jury finds infringement, it would
04:58:14 17 have necessarily found that the Wells Fargo product, which
04:58:17 18 would indisputably be prior art under the 2017 priority
04:58:21 19 date, teaches each and every limitation of the asserted
04:58:24 20 claims and, thus, would anticipate the claims.

04:58:27 21 THE COURT: Let me ask you this, Mr. McCullough:
04:58:30 22 Given the argument that you've given me on anticipation,
04:58:33 23 you've covered a fair amount of what would otherwise be
04:58:36 24 part of the written description defense.

04:58:38 25 Do you have additional argument on written

04:58:40 1 description?

04:58:40 2 MR. MCCULLOUGH: I have, I think, two extra
04:58:44 3 sentences.

04:58:45 4 THE COURT: Why don't you give them to me now.

04:58:48 5 MR. MCCULLOUGH: I will. Defendant moves for
04:58:49 6 judgment as a matter of law for written description because
04:58:52 7 the specification of the '605 patent is identical to the
04:58:55 8 specification of the '227 patent.

04:58:58 9 The specification -- or the claims of the '605
04:59:00 10 patent are also not supported by the '605 specification and
04:59:04 11 would be invalid for failing written description.

04:59:07 12 And because the specification of the '681 patent
04:59:09 13 is identical to the '200 patent to which it claims
04:59:14 14 priority, the claims of the '681 patent are also not
04:59:16 15 supported by the specification and, thus, would be invalid
04:59:18 16 for failing the written description requirement.

04:59:21 17 THE COURT: All right. Thank you.

04:59:21 18 Mr. Rowles, do you have additional argument
04:59:24 19 related specifically to the written description issue?

04:59:27 20 MR. ROWLES: I do, Your Honor.

04:59:28 21 THE COURT: Please give me that at this time.

04:59:30 22 MR. ROWLES: With respect to written description,
04:59:32 23 Plaintiff submits that no reasonable jury could find, based
04:59:36 24 on the evidence presented, that Wells Fargo has proved by
04:59:38 25 clear and convincing evidence either that the asserted

04:59:43 1 claims lack adequate written description and are invalid
04:59:46 2 under 35 U.S.C. Section 112 or are not entitled to claim
04:59:52 3 priority back to the October 31st, 2006, priority date for
04:59:55 4 which they claim, for two reasons.

04:59:57 5 First, the Federal Circuit has held that
05:00:02 6 originally filed claims are part of the original patent
05:00:04 7 disclosure for the purposes of written description. The
05:00:07 8 original claims filed with the July 2017 patent application
05:00:10 9 that resulted in the '681 patent, which are in evidence at
05:00:13 10 Plaintiff's Exhibit 1265, beginning at Page 21, are
05:00:17 11 virtually identical to the issued claims of the '681
05:00:20 12 patent.

05:00:21 13 Similarly, the original claims filed with the July
05:00:25 14 2017 patent application that resulted in the '605 patent
05:00:27 15 which are in the record at Plaintiff's Exhibit 1266
05:00:31 16 beginning at Page 23, are virtually identical to the issued
05:00:35 17 claims of the '605 patent.

05:00:37 18 Wells Fargo has not introduced any evidence that
05:00:40 19 the originally filed claims of the '605 or '681 patents
05:00:43 20 failed to provide adequate written support for the claims
05:00:46 21 that issued and has, thus, failed to satisfy its burden to
05:00:49 22 prove invalidity under 35 U.S.C. Section 112.

05:00:53 23 Second, Wells Fargo's theory that the asserted
05:00:57 24 claims lack written description support or -- cannot claim
05:01:01 25 priority back to the 2006 filing date because one

05:01:04 1 particular species within the scope of the claims is not
05:01:07 2 expressly recited in the specification cannot support a
05:01:10 3 finding of invalidity as a matter of law.

05:01:12 4 Wells Fargo's only invalidity argument presented
05:01:15 5 at trial is that the claims lack written description
05:01:18 6 support because one particular species -- that is, a mobile
05:01:21 7 or portable device with a physically integrated digital
05:01:24 8 camera -- was not expressly recited in the specification.

05:01:28 9 It is settled law that a claim may be broader than
05:01:30 10 the specific embodiment disclosed in a specification, and a
05:01:35 11 patentee is not required to disclose every possible
05:01:39 12 embodiment of the claims.

05:01:40 13 The Federal Circuit has held that a claim does not
05:01:42 14 lack written description support when the difference
05:01:44 15 between an undisclosed embodiment covered by the claims and
05:01:47 16 an expressly disclosed embodiment in the specification is
05:01:50 17 not critical or important to the invention.

05:01:52 18 Wells Fargo has not introduced evidence upon which
05:01:56 19 a reasonable jury could find that this difference is
05:01:58 20 critical or important in any way. Therefore, USAA requests
05:02:03 21 that the Court enter judgment as a matter of law, both that
05:02:07 22 Wells Fargo has not proved a lack of written description
05:02:11 23 under 35 U.S.C. Section 112 and, as well, has not
05:02:16 24 established that the claims are not entitled to claim
05:02:18 25 priority back to the claimed priority date of October 31st,

05:02:23 1 2006.

05:02:24 2 THE COURT: All right. Well, with regard to
05:02:26 3 Defendant's motions that the Court grant judgment as a
05:02:29 4 matter of law under Rule 50(a) finding that it has not --
05:02:38 5 excuse me, finding that the patents-in-suit are invalid
05:02:41 6 based upon anticipation, and/or in the alternative are
05:02:51 7 invalid based on a written description defense, those
05:02:53 8 motions are denied.

05:02:54 9 With regard to Plaintiff's motions under
05:02:56 10 Rule 50(a) that they are entitled to judgment as a matter
05:02:58 11 of law that the patents-in-suit are not anticipated and
05:03:00 12 valid for either anticipation or written description, those
05:03:06 13 motions are similarly denied.

05:03:08 14 That leaves us with the issue of damages, counsel.
05:03:11 15 Let me hear from Defendant on this first.

05:03:16 16 MR. UNDERWOOD: Thank you, Your Honor. Good
05:03:22 17 afternoon. Travis Underwood for the Defendant.

05:03:25 18 THE COURT: Good afternoon, Mr. Underwood. Please
05:03:27 19 proceed.

05:03:28 20 MR. UNDERWOOD: Judgment as a matter of law for
05:03:30 21 Defendant is warranted on damages because no reasonable
05:03:33 22 jury would have a legally sufficient evidentiary basis to
05:03:37 23 award the damages sought by Plaintiff.

05:03:39 24 Section 284 of the Patent Act entitles a patentee
05:03:44 25 to damages for infringement in an amount no less than a

05:03:48 1 reasonable royalty for the use made of the invention by the
05:03:52 2 infringer.

05:03:53 3 Mr. Weinstein, the Plaintiff's damages expert,
05:03:57 4 admitted that he had based his damages calculations on
05:04:01 5 fraud prevention benefits that are not tethered to or
05:04:05 6 recited in the claims.

05:04:07 7 Mr. Weinstein also erroneously attributed all of
05:04:10 8 the cost savings of using mobile remote deposit capture
05:04:16 9 over ATMs to the asserted patents without any
05:04:19 10 explanation -- that is, there was no apportionment of the
05:04:22 11 cost savings to the asserted patents.

05:04:23 12 The fact that the asserted patents in this case
05:04:27 13 cannot be responsible for 100 percent of the value of
05:04:31 14 mobile remote deposit capture is clear in light of the fact
05:04:34 15 that Mr. Weinstein already attributed 40 percent of mobile
05:04:40 16 remote deposit capture's value to a different set of
05:04:42 17 patents. Thus, at least 40 percent of the value should be
05:04:46 18 excluded in a proper apportionment analysis.

05:04:49 19 Mr. Weinstein cannot avoid apportionment just
05:04:53 20 because he used the cost savings approach for a system
05:04:56 21 claim.

05:04:57 22 The Supreme Court has made clear that
05:05:00 23 patentholders who seek damages must in every case give
05:05:04 24 evidence tending to separate or apportion the Defendant's
05:05:08 25 profits and the patentee's damages between the patented

05:05:10 1 feature and the unpatented feature. It is not enough to
05:05:13 2 compare the cost savings between using ATMs and mobile
05:05:18 3 remote deposit capture.

05:05:18 4 Also, as an independent problem here, there are
05:05:22 5 both -- they are both conventional -- excuse me,
05:05:26 6 Your Honor. There are both conventional and non-patented
05:05:29 7 features in mobile remote deposit capture.

05:05:32 8 Mr. Weinstein was required to specifically tie the
05:05:35 9 cost savings to the incremental improvement of the asserted
05:05:39 10 patents, not mobile remote deposit capture as a whole.

05:05:41 11 Mr. -- additionally, Mr. Weinstein's use of Wells
05:05:45 12 Fargo's 1.2 billion in profit number from mobile remote
05:05:50 13 deposit capture was a violation of the entire market value
05:05:54 14 rule and was used only to skew the damages horizon.

05:05:58 15 And, finally, Mr. Weinstein's 86 percent versus 14
05:06:01 16 percent split is plucked from thin air and is unsupported
05:06:06 17 by the evidence.

05:06:06 18 And for those reasons, Your Honor, Defendant
05:06:08 19 submits that it is entitled to judgment as a matter of law
05:06:11 20 because there is no legally sufficient evidentiary basis to
05:06:13 21 award damages sought by Plaintiff.

05:06:16 22 THE COURT: All right. Let me hear argument
05:06:18 23 regarding this same issue from the Plaintiff, please.

05:06:22 24 MR. ROWLES: Thank you, Your Honor.

05:06:22 25 And if it is amenable to the Court, I can respond

05:06:28 1 to the motion by Defendant, and then Plaintiff's motion is
05:06:31 2 on a topic that is not quite all square.

05:06:35 3 THE COURT: I'm happy to hear whatever arguments
05:06:37 4 you think are necessary and appropriate.

05:06:40 5 MR. ROWLES: Understood, Your Honor.

05:06:41 6 THE COURT: As long as they're reasonably short.

05:06:43 7 MR. ROWLES: Well, first, Your Honor, we -- we
05:06:45 8 oppose Defendant's motion. USAA has presented evidence
05:06:48 9 upon which no reasonable jury could find damages in favor
05:06:52 10 of USAA.

05:06:53 11 Mr. Weinstein testified about his analysis of
05:06:55 12 various benefits obtained by Wells Fargo in connection with
05:06:59 13 its use of the infringing MRDC system from August 2018
05:07:03 14 through the date of trial.

05:07:04 15 These benefits include increased profits, cost
05:07:07 16 savings, as well as benefits related to fraud prevention.

05:07:12 17 USAA also presented testimony from Defendant, as
05:07:14 18 well as Defendant's own documents, showing various benefits
05:07:17 19 associated with their use of the infringing product.

05:07:20 20 Mr. Weinstein supported his testimony with an
05:07:24 21 apportionment analysis, and calculated the contributions
05:07:28 22 specifically attributable to the patents-in-suit. This
05:07:37 23 includes testimony that Wells Fargo saved considerable
05:07:37 24 costs based on its customers' use of the infringing MRDC
05:07:39 25 system, as opposed to other channels.

05:07:41 1 Mr. Weinstein also testified that at the
05:07:43 2 hypothetical negotiation, the parties would consider a
05:07:45 3 range of benefits associated with reducing fraud, as well
05:07:48 4 as other points of input to that process, including
05:07:51 5 benefits associated with MRDC generally.

05:07:53 6 Wells Fargo's experts both admitted that the
05:07:57 7 asserted claims cover MRDC generally. The jury is entitled
05:08:00 8 to weigh the evidence USAA has presented and, therefore,
05:08:03 9 USAA submits that Wells Fargo's motion for judgment as a
05:08:08 10 matter of law as to damages should be denied.

05:08:09 11 Additionally, Your Honor, there is a request from
05:08:14 12 Defendant for a verdict form that asks the jury to return a
05:08:17 13 verdict in an amount of a lump-sum damages figure.

05:08:20 14 Should that verdict -- verdict form be submitted
05:08:23 15 to the jury, USAA submits that, based on the evidence
05:08:27 16 adduced at trial, including Mr. Gerardi's admission that he
05:08:29 17 did not consider any future profits or future benefits
05:08:35 18 attributable to the patents and limited his damages
05:08:38 19 analysis to the period from their issuance to the date of
05:08:42 20 trial, there would be nothing upon which a reasonable jury
05:08:45 21 could find for a lump-sum damages award that would -- to
05:08:50 22 find that a lump-sum damages award would adequately
05:08:53 23 compensate USAA for Wells Fargo's infringement in this
05:08:55 24 case.

05:08:57 25 THE COURT: All right, counsel. Thank you.

05:09:00 1 Do you anything further on this, Mr. Underwood?

05:09:02 2 MR. UNDERWOOD: I do, Your Honor. Just a brief
05:09:04 3 response to the Plaintiff's motion on this issue.

05:09:06 4 As an initial matter, Your Honor, there is no
05:09:11 5 legal requirement that an expert consider damages after the
05:09:17 6 verdict in order to opine that a lump sum would be
05:09:21 7 appropriate.

05:09:21 8 Mr. Gerardi adequately supported his lump-sum
05:09:25 9 opinions, in particular, by noting that impartial reliance
05:09:31 10 on Dr. Villasenor, there were non-infringing alternatives
05:09:33 11 available. And as Mr. Weinstein actually agrees, that
05:09:36 12 would place a cap on the amount of damages. And he cited
05:09:40 13 to that evidence in support of his opinion that a lump sum
05:09:43 14 would be appropriate.

05:09:44 15 For that reason, Your Honor, we feel that his
05:09:46 16 theory should be submitted to the jury and that a verdict
05:09:48 17 finding a lump sum would be supported by the evidence.

05:09:52 18 THE COURT: All right. Well, thank you for your
05:09:55 19 competing argument, counsel.

05:09:56 20 With regard to the issue of damages, both as urged
05:09:59 21 by Plaintiff under Rule 50(a) and as urged by Defendant
05:10:03 22 under Rule 50(a), the Court denies both motions.

05:10:06 23 The Court will consider and has given considerable
05:10:12 24 thought to the best and most appropriate means of
05:10:17 25 submitting the damages question to the jury, and we'll

05:10:21 1 discuss the form of the verdict, as well as the form of the
05:10:26 2 Court's intended final jury instruction, or charge, outside
05:10:31 3 of this 50(a) hearing.

05:10:33 4 But for the record and for completeness,
05:10:38 5 Plaintiff's several motions seeking judgment as a matter of
05:10:40 6 law under Rule 50(a), as well as Defendant's several
05:10:44 7 motions seeking judgment as a matter of law under Rule
05:10:48 8 50(a), are in their entirety denied by the Court.

05:10:52 9 That completes the hearing before the Court on
05:10:54 10 motions offered under Rule 50(a).

05:10:58 11 Counsel, I have prepared for your review from the
05:11:05 12 last submission that you jointly filed with the Court a
05:11:08 13 next draft of what I believe the final jury instructions
05:11:12 14 and the verdict form should look like. I'll have those in
05:11:14 15 hard copy brought into the courtroom in a few minutes to be
05:11:19 16 given to you.

05:11:20 17 I'll afford each side an opportunity to review
05:11:23 18 that. I don't think it's going to take a terribly long
05:11:25 19 period of time because I know you're intimately familiar
05:11:29 20 with the issues raised in those documents.

05:11:30 21 But after I've given you a reasonable time to
05:11:33 22 review that next draft from the Court, I'll meet with
05:11:37 23 counsel in chambers, and we'll conduct at that time an
05:11:42 24 informal charge conference where I invite input and comment
05:11:47 25 freely and informally from any counsel who participated in

05:11:50 1 the trial or appeared in the case.

05:11:51 2 I don't see lead counsel here who I anticipate
05:11:56 3 will be presenting closing arguments tomorrow. And as I
05:11:59 4 indicated, they're not required to be present.

05:12:01 5 After I've had full input from the parties
05:12:08 6 informally as a part of the informal charge conference,
05:12:12 7 I'll take into account that input and any comments
05:12:17 8 received, and I'll generate at that point what I believe
05:12:19 9 the appropriate and legally sufficient final jury
05:12:22 10 instruction and verdict form should be in this case.

05:12:25 11 I'll afford you an opportunity to review that, and
05:12:27 12 then I'll conduct a formal charge conference on the record,
05:12:31 13 at which time either party who believes that there's an
05:12:34 14 issue that has survived that process and they need to
05:12:36 15 formally object to, that objection can be made on the
05:12:39 16 record and ruled on by the Court.

05:12:41 17 All right. With that, it is 12 minutes after
05:12:45 18 5:00. The Court will stand in recess. I'll have those
05:12:48 19 hard copies of the next draft of those documents brought in
05:12:51 20 to you shortly. And then after I've given you some
05:12:54 21 reasonable period of time, I'll send for you, and we'll
05:12:57 22 meet in chambers and conduct an informal charge conference.

05:13:00 23 Ms. Glasser, I see you moved to the podium. Do
05:13:04 24 you have something?

05:13:04 25 MS. GLASSER: I sure do. I was following

05:13:07 1 Mr. Hill. He probably has the same issue.

05:13:08 2 MR. HILL: We do, Your Honor.

05:13:09 3 MS. GLASSER: I don't think we received resolution
05:13:09 4 from the Court on an issue the parties disagree about.
05:13:14 5 We're were hoping to report back to the folks at the
05:13:17 6 office, which has to do with what types of slides the
05:13:19 7 parties need to exchange tonight.

05:13:22 8 Plaintiff's proposal, as we mentioned earlier, is
05:13:24 9 to do the same thing that Your Honor endorsed in Case
05:13:27 10 No. 1, which was to eliminate any objections during the
05:13:30 11 opening itself, or at least minimize the possibility of any
05:13:33 12 objections, to have the parties actually disclose testimony
05:13:39 13 slides, as well as, you know, sort of purely graphical
05:13:42 14 slides so that there's not any people popping up with
05:13:45 15 completeness objections or anything of that nature.

05:13:49 16 MR. HILL: And, Your Honor, our -- since --

05:13:51 17 THE COURT: What's your position, Mr. Hill?

05:13:53 18 MR. HILL: Your Honor, since we -- they get to go
05:13:55 19 last, if they want to show us everything, we'll certainly
05:13:59 20 look at it. So we'll accept that.

05:14:01 21 We would also ask that it be extended to exhibits,
05:14:03 22 as well, to make sure documents aren't excerpted in a way
05:14:07 23 that would be misleading.

05:14:08 24 MS. GLASSER: We don't have a disagreement.

05:14:10 25 MR. HILL: As long as it includes exhibits, too.

05:14:13 1 THE COURT: It should include exhibits.

05:14:15 2 MS. GLASSER: Absolutely. I'm sorry, I thought we
05:14:18 3 had a disagreement.

05:14:19 4 THE COURT: It should include any sections of the
05:14:22 5 transcribed testimony from the trial that you plan to show
05:14:22 6 during closing.

05:14:25 7 MR. HILL: Yes, sir, Your Honor.

05:14:25 8 MS. GLASSER: Yes, Your Honor. Thank you.

05:14:27 9 MR. HILL: The other thing, Your Honor, is the
05:14:28 10 Court's preference on timing for this. We had obviously --
05:14:30 11 because of the work that goes into it, like to make the
05:14:33 12 exchange as soon as possible between the parties of our
05:14:34 13 respective closing slides.

05:14:35 14 THE COURT: What do you suggest as to time?

05:14:39 15 MR. HILL: Your Honor, if we could exchange those
05:14:42 16 by 10:00 o'clock?

05:14:42 17 MS. GLASSER: That's too late for us. That
05:14:42 18 doesn't work for us at all.

05:14:44 19 MR. HILL: 9:00 o'clock?

05:14:46 20 MS. GLASSER: I think last time we did it at 6:30
05:14:47 21 or something like that, and I don't think we necessarily
05:14:50 22 need to do it that early, but we haven't -- Your Honor, as
05:14:51 23 you can tell, the parties haven't discussed this issue. I
05:14:54 24 suggest maybe we try to work it out and report back if we
05:14:57 25 can't. But 10:00 o'clock is way, way too late. We'll be

05:15:02 1 meeting and conferring until midnight on something like
05:15:05 2 that.

05:15:05 3 MR. HILL: I'm looking at the time currently,
05:15:08 4 Your Honor. It's 5:00 o'clock now. If --

05:15:09 5 THE COURT: Unless you can agree to something
05:15:11 6 different, 8:00 o'clock.

05:15:12 7 MR. HILL: 8:00 o'clock? Okay.

05:15:13 8 MS. GLASSER: Thank you, Your Honor.

05:15:13 9 MR. HILL: And what time should we advise the
05:15:15 10 Court of any disputes, Your Honor?

05:15:17 11 THE COURT: 10:00 o'clock.

05:15:18 12 MR. HILL: Standard time?

05:15:19 13 THE COURT: Standard time.

05:15:19 14 MR. HILL: Okay.

05:15:20 15 THE COURT: And you well understand that doesn't
05:15:20 16 mean you stop trying to work them out.

05:15:22 17 MR. HILL: Understood. Is there anything
05:15:24 18 different you would like with regard to these types of
05:15:26 19 disputes, delivered for in the morning, other than just a
05:15:29 20 binder at 7:00 o'clock --

05:15:29 21 THE COURT: I don't think so, Mr. Hill.

05:15:31 22 MR. HILL: All right. Very good. Thank you,
05:15:34 23 Your Honor.

05:15:34 24 THE COURT: The fewer the better, and none at all
05:15:36 25 would be optimal, but we will see.

05:15:39 1 Okay, counsel. All right. If you'll approach the
05:16:01 2 courtroom deputy, I have two sets of both the charge and
05:16:04 3 verdict form in its current version.

05:16:06 4 That's one set, Ms. Lockhart, and the one behind
05:16:09 5 you is the other set. If you'll hand those to counsel.

05:16:13 6 MS. GLASSER: Thank you.

05:16:14 7 THE COURT: I'll give you 10 or 15 minutes to
05:16:16 8 review these and then I'll meet with you in chambers for
05:16:18 9 the informal charge conference.

05:16:18 10 MR. HILL: Your Honor, may I be excused for the
05:16:20 11 remainder of the proceedings today?

05:16:22 12 THE COURT: Unless you're going to participate in
05:16:24 13 those functions, you may.

05:16:26 14 MR. HILL: Thank you, Your Honor.

05:16:27 15 THE COURT: The Court stands in recess.

05:16:28 16 COURT SECURITY OFFICER: All rise.

05:16:29 17 (Recess.)

06:59:21 18 (Jury out.)

06:59:22 19 COURT SECURITY OFFICER: All rise.

06:59:27 20 THE COURT: Be seated, please.

06:59:58 21 All right. Counsel, as indicated previously,
07:00:00 22 after the Court concluded motions asserted under
07:00:03 23 Rule 50(a), the Court has conducted in chambers a robust
07:00:08 24 and fulsome discussion with counsel for the parties as an
07:00:12 25 informal charge conference in which both sides have had an

07:00:16 1 ample opportunity to offer any input or suggestion or
07:00:20 2 comment they might have as to the final jury instructions
07:00:24 3 and verdict form.

07:00:24 4 The Court had the opportunity to consider that
07:00:29 5 input from the parties after the conclusion of the informal
07:00:33 6 charge conference. Considering the same, reviewing the
07:00:37 7 previous work already done, the Court has now generated a
07:00:41 8 current version of the final jury instructions and verdict
07:00:44 9 form, which it believes is accurate and appropriate.

07:00:50 10 That copy has been given to counsel for both of
07:00:53 11 the parties with an opportunity to review it and to see any
07:00:57 12 areas where the documents have varied from what they were
07:01:01 13 at the time we held the informal charge conference.

07:01:03 14 Having done that, the Court now will conduct a
07:01:07 15 formal charge conference on the record where either party
07:01:12 16 may, if it feels compelled in the interest of its client,
07:01:16 17 offer such formal objections to both the final jury
07:01:20 18 instructions and verdict form as they believe are
07:01:22 19 appropriate and necessary.

07:01:23 20 As is the Court's practice, I'll ask one
07:01:30 21 spokesperson from each party to go to the podium. I'll
07:01:34 22 begin with the final jury instruction and review that
07:01:38 23 document on a page-by-page basis.

07:01:42 24 At any point in that process where we get to a
07:01:44 25 page that you believe something has been included that's

07:01:48 1 improper and you feel compelled to object, you may do so.
07:01:53 2 At any point that you feel something has been omitted,
07:01:56 3 which is necessary and you feel you should object, that's
07:01:59 4 also appropriate.

07:02:01 5 If at any point as we go through the document on a
07:02:04 6 page-by-page basis you believe an objection is appropriate,
07:02:08 7 I'll be glad to stop and hear your objection and then rule
07:02:11 8 on the same. Once we've completed that page-by-page review
07:02:15 9 of the final jury instructions, we'll do the same for the
07:02:19 10 verdict form.

07:02:19 11 So at this time, whoever is going to speak for
07:02:21 12 Plaintiff, please go to the podium. Whoever is going to
07:02:24 13 speak for Defendant, please go to the podium, as well.

07:02:29 14 It looks like Mr. Rowles and Mr. McCullough; is
07:02:33 15 that correct?

07:02:33 16 MR. ROWLES: I think I'm the only one left, Your
07:02:36 17 Honor.

07:02:36 18 MR. MCCULLOUGH: Yes, Your Honor.

07:02:37 19 THE COURT: Let's begin with the final jury
07:02:40 20 instructions. I'll start with the cover page or Page 1.

07:02:42 21 Is there any objection to anything on this page
07:02:45 22 from either Plaintiff or Defendant?

07:02:47 23 MR. ROWLES: Nothing from Plaintiff, Your Honor.

07:02:48 24 MR. MCCULLOUGH: Nothing from Defendant, Your
07:02:50 25 Honor.

07:02:50 1 THE COURT: Turning then to Page 2, is there
07:02:52 2 objection here from either party?

07:02:54 3 MR. ROWLES: Nothing from Plaintiff, Your Honor.

07:02:56 4 MR. MCCULLOUGH: Nothing from Defendant.

07:02:57 5 THE COURT: Page 3, is there any objection from
07:03:01 6 either party?

07:03:01 7 MR. ROWLES: Nothing from Plaintiff.

07:03:02 8 MR. MCCULLOUGH: No objection, Your Honor.

07:03:03 9 THE COURT: Turning to Page 4, is there objection
07:03:07 10 here from either party?

07:03:09 11 MR. ROWLES: Nothing from Plaintiff.

07:03:10 12 MR. MCCULLOUGH: No objection, Your Honor.

07:03:12 13 THE COURT: Page 5, is there objection from either
07:03:14 14 party?

07:03:14 15 MR. ROWLES: Nothing from Plaintiff.

07:03:19 16 MR. MCCULLOUGH: Nothing from Defendant.

07:03:20 17 THE COURT: Page 6, is there objection from either
07:03:22 18 party?

07:03:22 19 MR. ROWLES: Nothing from Plaintiff.

07:03:24 20 MR. MCCULLOUGH: Nothing from Defendant.

07:03:25 21 THE COURT: Page 7, is there objection from either
07:03:27 22 party?

07:03:28 23 MR. ROWLES: Nothing from Plaintiff.

07:03:29 24 MR. MCCULLOUGH: Nothing from Defendant.

07:03:31 25 THE COURT: Page 8, is there objection from either

07:03:34 1 party?

07:03:34 2 MR. ROWLES: Nothing from Plaintiff.

07:03:37 3 MR. MCCULLOUGH: Nothing from Defendant.

07:03:38 4 THE COURT: Turning then to Page 9 of the final
07:03:42 5 jury instructions, is there objection here from either
07:03:46 6 party?

07:03:47 7 MR. ROWLES: Nothing from Plaintiff.

07:03:48 8 MR. MCCULLOUGH: Nothing from Defendant.

07:03:50 9 THE COURT: Turning then to Page 10, is there
07:03:53 10 objection from either party?

07:03:54 11 MR. ROWLES: Nothing from Plaintiff.

07:03:56 12 MR. MCCULLOUGH: Nothing from Defendant.

07:03:57 13 THE COURT: Page 11, is there any objection?

07:03:59 14 MR. ROWLES: Nothing from Plaintiff.

07:04:00 15 MR. MCCULLOUGH: Nothing from Defendant.

07:04:02 16 THE COURT: Page 12, is there any objection?

07:04:04 17 MR. ROWLES: There is from Plaintiff, Your Honor.

07:04:06 18 THE COURT: State your objection.

07:04:07 19 MR. ROWLES: The -- the last sentence on Page 12,
07:04:10 20 beginning, "a party obtains a benefit from a system," and
07:04:14 21 continuing onto Page 13, Plaintiff objects to this
07:04:18 22 instruction on the basis that it's inconsistent with the
07:04:22 23 controlling Centillion decision, which has held that a
07:04:26 24 system claim can be infringed by use of a system even if
07:04:31 25 the system is used and collectively engages every element

07:04:34 1 of the system.

07:04:35 2 We believe it's misleading and prejudicial to
07:04:37 3 instruct the jury specifically and suggest that an
07:04:41 4 element-by-element analysis identifying a particular
07:04:44 5 benefit for each claim element is required. We'd object on
07:04:48 6 that basis.

07:04:49 7 And there's a second objection to this page,
07:04:54 8 moving on to Claim 13, which is based on --

07:04:57 9 THE COURT: You mean Page 13?

07:05:00 10 MR. ROWLES: Yes, Your Honor.

07:05:02 11 The -- the section that begins on Page 12 and
07:05:05 12 continues to Page 13, Plaintiff believes that there should
07:05:09 13 be an instruction to the jury regarding the principles of
07:05:12 14 vicarious liability.

07:05:14 15 Based on the Centillion decision, which held that
07:05:17 16 a -- the principles of vicarious liability that existed at
07:05:21 17 that time were applicable to system claims, and the Federal
07:05:25 18 Circuit's subsequent expansion of the vicarious liability
07:05:28 19 doctrine in the remanded Akamai decision, we believe it
07:05:31 20 would be appropriate to instruct the jury, as well, that a
07:05:34 21 party can be held vicariously liable for the actions of
07:05:38 22 another if they meet the direction and control standard as
07:05:43 23 expressed in Akamai, even for system claims.

07:05:46 24 THE COURT: All right. Those objections are
07:05:47 25 overruled.

07:05:47 1 Are there objections on Page 12 to anything from
07:05:50 2 the Defendant?

07:05:52 3 MR. MCCULLOUGH: Nothing from Defendant.

07:05:53 4 THE COURT: Anything from Defendant on Page 13?

07:05:56 5 MR. MCCULLOUGH: Yes, Your Honor.

07:05:58 6 Defendant objects to the willfulness instruction
07:06:01 7 on the basis, first, that there's insufficient evidence to
07:06:05 8 submit willfulness to the jury, as explained in our 50(a)
07:06:08 9 motion.

07:06:09 10 Additionally, we object to the sentence in the
07:06:12 11 middle of the last full paragraph beginning "a Defendant is
07:06:15 12 indifferent to the rights of another." We believe that
07:06:18 13 that's a misstatement of the law. The correct standard for
07:06:23 14 willful blindness is stated on the next page, and so we
07:06:26 15 would request that that sentence be struck.

07:06:28 16 THE COURT: All right. That objection is
07:06:31 17 overruled.

07:06:32 18 Mr. Rowles, do you have any -- any other objection
07:06:36 19 on Page 13?

07:06:36 20 MR. ROWLES: No, Your Honor.

07:06:37 21 THE COURT: Then we'll turn to Page 14, and I'll
07:06:41 22 ask if either party has any objection to anything here?

07:06:44 23 MR. ROWLES: Nothing from Plaintiffs, Your Honor.

07:06:46 24 MR. MCCULLOUGH: Yes, Your Honor.

07:06:47 25 Defendants object in the first full paragraph, the

07:06:50 1 first sentence, knowledge of the existence of a patent or
07:06:52 2 patent family can be relevant to willful infringement.

07:06:55 3 We object on the basis, we believe the law is that
07:06:59 4 knowledge of a patent is required in order to show willful
07:07:02 5 infringement. And we do not believe knowledge of a patent
07:07:05 6 family is relevant in any way.

07:07:07 7 Additionally, we object to the next sentence which
07:07:12 8 states, the standard for willful blindness, and we believe
07:07:16 9 there's no basis to submit willful blindness to the jury.

07:07:19 10 THE COURT: All right. That's overruled.

07:07:20 11 Anything else from either party on Page 14?

07:07:23 12 MR. ROWLES: Not from Plaintiff, Your Honor.

07:07:25 13 MR. MCCULLOUGH: Nothing else from Defendant.

07:07:26 14 THE COURT: Turning then to Page 15, is there any
07:07:29 15 objection from either party here?

07:07:30 16 MR. ROWLES: No objection from Plaintiff,
07:07:32 17 Your Honor.

07:07:32 18 MR. MCCULLOUGH: Your Honor, there was just one
07:07:34 19 thing we noticed. We forgot to raise this in chambers.
07:07:37 20 The last -- the last full paragraph, the first sentence
07:07:41 21 reads a little awkwardly.

07:07:42 22 I think the sentence is maybe supposed to end
07:07:45 23 after PTO and end after the process of obtaining a patent.
07:07:49 24 But it doesn't seem to read correctly to us.

07:07:53 25 THE COURT: All right. Counsel, let me make sure

07:07:59 1 I'm at the same place where you are.

07:08:02 2 This is the last full paragraph on Page 15?

07:08:06 3 MR. MCCULLOUGH: Yes, Your Honor.

07:08:18 4 MR. ROWLES: If I may, Your Honor, it looks like
07:08:20 5 maybe something along the lines of the process of obtaining
07:08:24 6 a patent is omitted here. The process of obtaining a
07:08:28 7 patent is called patent prosecution.

07:08:40 8 THE COURT: All right. Counsel, I think there's
07:08:42 9 merit to this -- I don't know if it's an objection, but at
07:08:46 10 least to this issue.

07:08:47 11 And my intention is to change the last full
07:08:53 12 paragraph at the bottom of Page 15 to read as follows: As
07:08:58 13 previously explained, comma, to obtain a patent, comma, one
07:09:03 14 must first file an application with the United States
07:09:05 15 Patent and Trademark Office, period. The process of
07:09:09 16 obtaining a patent is called patent prosecution, period.

07:09:13 17 That would be two sentences to replace the
07:09:16 18 existing one sentence that's there now.

07:09:18 19 Is there any objection to that change?

07:09:20 20 MR. ROWLES: None from Plaintiff.

07:09:21 21 MR. MCCULLOUGH: No objection, Your Honor.

07:09:22 22 THE COURT: All right. Anything else from either
07:09:25 23 party on Page 15?

07:09:26 24 MR. ROWLES: No, Your Honor.

07:09:27 25 MR. MCCULLOUGH: Nothing else from the Defendant.

07:09:28 1 THE COURT: All right. Then moving to Page 16 of
07:09:32 2 the final jury instructions, is there objection here from
07:09:35 3 either party?

07:09:36 4 MR. ROWLES: No objection from Plaintiff.

07:09:37 5 MR. MCCULLOUGH: Yes, Your Honor.

07:09:38 6 Defendant objects in the second full paragraph to
07:09:41 7 the last two sentences. We don't believe any information
07:09:45 8 about when the applications were published is relevant to
07:09:47 9 any issue in this case.

07:09:59 10 THE COURT: All right. That's overruled.

07:10:00 11 Anything else on Page 16 from Defendant?

07:10:02 12 MR. MCCULLOUGH: Nothing else.

07:10:04 13 THE COURT: Moving then to Page 17, is there any
07:10:07 14 objection here from either party?

07:10:09 15 MR. ROWLES: There is from Plaintiff, Your Honor.

07:10:11 16 The sentence beginning: However, the
07:10:13 17 specification must describe, Plaintiff objects to the
07:10:16 18 inclusion of this sentence as misleading and prejudicial,
07:10:20 19 particularly in view of statements that have been made
07:10:23 20 throughout the trial by Defendant and Defendant's witnesses
07:10:26 21 suggesting that if a claim covers two particular
07:10:31 22 embodiments, that both particular embodiments must be
07:10:34 23 disclosed, and the inclusion of this sentence suggests to
07:10:38 24 the jury that this is a different situation than it is.

07:10:42 25 We were not in a traditional genus/species

07:10:47 1 situation. The defense theory is -- has identified only an
07:10:50 2 arbitrary distinction between devices where a computer
07:10:53 3 connected to a camera inside one physical box or -- or
07:10:57 4 similar devices with two physical boxes is not different in
07:11:02 5 any material way to the invention in suggesting that --
07:11:05 6 with this language I think would mislead the jury. And so
07:11:09 7 we object on that basis.

07:11:10 8 THE COURT: All right. That objection by
07:11:11 9 Plaintiff is overruled.

07:11:13 10 Anything else by either party on Page 17?

07:11:18 11 MR. MCCULLOUGH: Yes, Your Honor.

07:11:19 12 Defendant objects to the sentence before that.
07:11:21 13 Although the following sentence does add a little bit of
07:11:24 14 context, we believe the statement that -- as one example
07:11:27 15 can support written description. There's not enough
07:11:30 16 context, and there's an insufficient statement of the full
07:11:34 17 law relating to when a single example could potentially
07:11:38 18 provide written description support, so we think it's
07:11:41 19 prejudicial and should be excluded.

07:11:43 20 THE COURT: All right. Thank you, Mr. McCullough.
07:11:44 21 That objection is overruled.

07:11:45 22 Anything further, counsel, from either of you on
07:11:48 23 Page 17?

07:11:49 24 MR. ROWLES: Nothing from Plaintiff, Your Honor.

07:11:51 25 MR. MCCULLOUGH: Nothing from Defendant.

07:11:52 1 THE COURT: Turning next to Page 18, is there
07:11:55 2 objection here from either party?

07:11:57 3 MR. ROWLES: No objection from Plaintiff.

07:11:58 4 MR. MCCULLOUGH: Nothing from Defendant.

07:12:00 5 THE COURT: Turning then to Page 19, is there any
07:12:02 6 objection here from either party?

07:12:04 7 MR. ROWLES: No objection from Plaintiff.

07:12:05 8 MR. MCCULLOUGH: Nothing from Defendant.

07:12:07 9 THE COURT: All right. Next Page 20, any
07:12:11 10 objection here?

07:12:11 11 MR. ROWLES: No objection, Your Honor.

07:12:13 12 MR. MCCULLOUGH: Nothing from Defendant.

07:12:14 13 THE COURT: Page 21, any objection?

07:12:17 14 MR. ROWLES: No, Your Honor.

07:12:18 15 MR. MCCULLOUGH: No objection.

07:12:19 16 THE COURT: I'll note, counsel, that beginning on
07:12:24 17 Page 21 and continuing on to Page 22, all 15 of the
07:12:28 18 Georgia-Pacific factors are set forth.

07:12:30 19 It's my understanding from our discussion in
07:12:32 20 chambers that both sides agree that the Court should
07:12:35 21 properly charge the jury on all 15 of those factors; is
07:12:39 22 that correct?

07:12:39 23 MR. ROWLES: That's our understanding, Your Honor.

07:12:42 24 MR. MCCULLOUGH: Yes, Your Honor.

07:12:43 25 THE COURT: All right. Any objection to anything

07:12:47 1 on Page 22?

07:12:49 2 MR. ROWLES: No, Your Honor.

07:12:51 3 MR. MCCULLOUGH: No objection, Your Honor.

07:12:52 4 THE COURT: Turning then to Page 23, is there an
07:12:55 5 objection from either party here?

07:12:56 6 MR. ROWLES: No objection, Your Honor.

07:12:58 7 MR. MCCULLOUGH: No objection.

07:12:59 8 THE COURT: Page 24, any objection from either
07:13:03 9 party?

07:13:03 10 MR. ROWLES: No objection, Your Honor.

07:13:05 11 MR. MCCULLOUGH: No objection, Your Honor.

07:13:07 12 THE COURT: And the last page, Page 25, is there
07:13:10 13 any objection here?

07:13:11 14 MR. ROWLES: No objection, Your Honor.

07:13:13 15 MR. MCCULLOUGH: No objection, Your Honor.

07:13:14 16 THE COURT: All right. Turning to the verdict
07:13:16 17 form.

07:13:19 18 MR. MCCULLOUGH: Your Honor, with the Court's
07:13:20 19 permission, may I turn it over to Mr. Underwood?

07:13:23 20 THE COURT: You may.

07:13:24 21 MR. MCCULLOUGH: Thank you.

07:13:25 22 THE COURT: Mr. Underwood, you're going to
07:13:30 23 represent the Defendant with regard to the formal charge
07:13:32 24 conference related to the verdict form?

07:13:34 25 MR. UNDERWOOD: With the Court's permission, Your

07:13:36 1 Honor.

07:13:36 2 THE COURT: Permission is granted.

07:13:38 3 Let's begin, we'll follow the same format,
07:13:41 4 counsel. The cover letter -- or, excuse me, the cover page
07:13:44 5 of the verdict form, which is not otherwise numbered, but
07:13:47 6 Page 1 is first, and I'll ask if either side has any
07:13:51 7 objection to anything either contained within or omitted
07:13:54 8 from the first page of the verdict form?

07:13:56 9 MR. ROWLES: No objection from Plaintiff, Your
07:13:56 10 Honor.

07:13:59 11 MR. UNDERWOOD: None from Defendant.

07:14:01 12 THE COURT: Next is Page 2, is there objection
07:14:02 13 here from either party?

07:14:03 14 MR. ROWLES: No, Your Honor.

07:14:05 15 MR. UNDERWOOD: None from Defendant.

07:14:07 16 THE COURT: Page 3, including instructions to the
07:14:09 17 jury, is there any objection from either party?

07:14:11 18 MR. ROWLES: There's no objection, Your Honor, but
07:14:13 19 it looks like the word "complies" is missing an "i".

07:14:18 20 THE COURT: Say that again, Mr. Rowles.

07:14:20 21 MR. ROWLES: The word "complies" in the bottom
07:14:22 22 sentence, it's just a typo, I think, but there's an "i"
07:14:26 23 missing.

07:14:27 24 THE COURT: Oh, I'll correct that to properly
07:14:29 25 spell the word "complies."

07:14:31 1 Any problem with that, Mr. Underwood?

07:14:33 2 MR. UNDERWOOD: No, Your Honor.

07:14:34 3 THE COURT: All right. Unless there's something
07:14:37 4 else from either party, we'll move from Page 3 to Page 4 of
07:14:41 5 the verdict form where Question No. 1 is located. Is there
07:14:44 6 objection here from either party?

07:14:46 7 MR. ROWLES: None from Plaintiff.

07:14:47 8 MR. UNDERWOOD: Yes, Your Honor.

07:14:49 9 Defendant does have an objection to the submission
07:14:53 10 of Question 1 in its current state, its -- its broad forum
07:15:00 11 state. Defendant would submit that it would be more
07:15:03 12 appropriately submitted to the jury with a breakdown -- a
07:15:07 13 granular breakdown as to each of the asserted claims such
07:15:10 14 that the jury would answer yes or no with respect to each
07:15:13 15 of the asserted claims.

07:15:14 16 THE COURT: Understood. That objection is
07:15:16 17 overruled.

07:15:17 18 Turning then to Page 5 of the verdict form where
07:15:22 19 Question 2 is located. Is there objection here from either
07:15:25 20 party?

07:15:26 21 MR. ROWLES: No objection from Plaintiff, Your
07:15:28 22 Honor.

07:15:28 23 MR. UNDERWOOD: None from Defendant.

07:15:29 24 THE COURT: Turning next to Page 6 of the verdict
07:15:34 25 form where Question 3 is located, is there any objection

07:15:38 1 here from either party?

07:15:39 2 MR. ROWLES: No objection from Plaintiff, Your
07:15:41 3 Honor.

07:15:41 4 MR. UNDERWOOD: Yes, Your Honor.

07:15:42 5 Defendant would object to Question No. 3 on the
07:15:46 6 same grounds as previously stated with respect to Question
07:15:49 7 No. 1.

07:15:53 8 THE COURT: All right. That objection is
07:15:56 9 overruled.

07:15:56 10 Turning next to Page 7 of the verdict form where
07:16:01 11 Question 4 is located. Is there any objection here?

07:16:03 12 MR. ROWLES: No objection from Plaintiff, Your
07:16:06 13 Honor.

07:16:06 14 MR. UNDERWOOD: Yes, Your Honor.

07:16:08 15 Defendant objects to the submission of Question
07:16:12 16 No. 4 with the language "and through the date of trial."
07:16:19 17 Defendant would submit that that language should not be
07:16:21 18 included because it is suggestive of the form of the
07:16:25 19 royalty and suggestive of the -- of perhaps a running
07:16:28 20 royalty, whereas the evidence has been adduced to support a
07:16:32 21 lump-sum royalty. And on that ground, Defendant would
07:16:35 22 object to this question.

07:16:41 23 THE COURT: All right. That objection is
07:16:42 24 overruled.

07:16:43 25 Page 8 is the final page of the verdict form. Is

07:16:47 1 there any objection here from either party?

07:16:50 2 MR. ROWLES: None from Plaintiff, Your Honor.

07:16:51 3 MR. UNDERWOOD: None from Defendant.

07:16:53 4 THE COURT: All right. Counsel, that completes
07:16:55 5 the formal charge conference.

07:16:58 6 It's my intention to reproduce both of these
07:17:02 7 documents with only the adjustments that have been set
07:17:06 8 forth in the record as a part of this formal charge
07:17:08 9 conference.

07:17:09 10 My intention, as earlier stated, is to produce
07:17:12 11 eight separately-printed copies of the final jury
07:17:16 12 instructions and one clean copy of the verdict form and to
07:17:21 13 have those ready to send back to the jury after they've
07:17:25 14 heard closing arguments and my final instructions at the
07:17:29 15 time I direct them to begin their deliberations.

07:17:31 16 Is either Plaintiff or Defendant aware of anything
07:17:38 17 further that needs to be taken up before we recess in the
07:17:42 18 morning -- recess until the morning with the understanding
07:17:44 19 that the Court intends to begin with its final jury
07:17:48 20 instructions and proceed to closing arguments at that time?

07:17:51 21 MR. ROWLES: Nothing from Plaintiff, Your Honor.

07:17:53 22 MR. UNDERWOOD: Nothing from Defendant.

07:17:54 23 THE COURT: All right. Thank you, gentlemen.

07:17:56 24 That should be it for the day. And we stand in
07:18:01 25 recess until tomorrow morning.

07:18:03 1 COURT SECURITY OFFICER: All rise.

07:18:05 2 (Recess.)

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4

5 CERTIFICATION

6

7 I HEREBY CERTIFY that the foregoing is a true and
8 correct transcript from the stenographic notes of the
9 proceedings in the above-entitled matter to the best of my
10 ability.

11

12

13	<u>/S/ Shelly Holmes</u>	<u>1/9/2020</u>
	SHELLY HOLMES, CSR, TCRR	Date
14	OFFICIAL REPORTER	
	State of Texas No.: 7804	
15	Expiration Date: 12/31/20	

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